

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2009 and 2008. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 19, 2010 and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at March 19, 2010.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements made herein under the headings "Overall Business Strategy and Objectives", "Results of Operations – Property Operating Income", "Results of Operations – Future income taxes", "Mortgages Payable and Facilities – Total Indebtedness to Gross Book Value", and "Capital Resources and Liquidity", statements with respect to management's current intention to undertake certain transactions to reduce Whiterock's indebtedness, the REIT's ability to continue to qualify for the REIT exception, financial performance, sale-leaseback opportunities, proposed acquisitions and equity or debt offerings, new markets for growth, financial position, comparable commercial REITs, proposed acquisitions, and other statements concerning Whiterock's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other matters which are not historical facts.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", and the negative forms thereof. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Whiterock's estimates and assumptions, which are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements. Such risks include but are not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, unexpected costs or liabilities related to acquisitions, risk that future accretive acquisition or joint venture opportunities will not be identified and/or completed by Whiterock, risks associated with pending lease maturities, liquidity and general market conditions, an inability of Whiterock to obtain debt or equity financing on favourable terms or at all, credit risks, changes in the competitive landscape, general uninsured losses, interest rate fluctuations, risks relating to environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth and/or diversification opportunities, over-reliance on anchor or single tenant properties, risks associated with the geographic concentration of Whiterock's properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, fluctuations in the market price of Whiterock's units, the risk of failure to obtain additional financing, dilution, an unforeseen departure of key personnel, unanticipated adverse changes in taxation or other legislation applicable to Whiterock, the risk

of a failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing, which factors are discussed in more detail herein under the heading “Risks and Uncertainties”, as well as those additional factors discussed in the section entitled “Risk Factors” in Whiterock’s Annual Information Form which can be obtained at www.sedar.com. Although the forward-looking statements contained in the MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. In particular, but without limitation, there can be no assurance that Whiterock will be able to increase its FFO or AFFO. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a less robust leasing environment than has been seen for the last several years; relatively stable interest costs; relatively stable acquisition capitalization rates and available access to equity and debt capital markets to fund, at acceptable costs, Whiterock’s future growth plans, and to enable Whiterock to refinance its debts as they mature.

Except as required by law, Whiterock does not undertake, and specifically disclaims, any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

NON-GAAP MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and property operating income are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. “GAAP” means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

FFO, AFFO and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, FFO, AFFO and property operating income may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007 and February 10, 2009. A reconciliation from net income to FFO and to AFFO is calculated under the heading “Funds from Operations and Adjusted Funds from Operations”. Property Operating Income is calculated under the heading “Property Operating Income”.

Neither FFO, AFFO, nor property operating income is intended to represent operating profits for the period or from a property nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with Canadian GAAP.

HIGHLIGHTS – December 31, 2009

- **Solid FFO** – FFO was \$14.7 million or \$1.64 per unit for the year ended December 31, 2009. This represents a 93% FFO cash payout ratio.
- **Stable AFFO** – AFFO for the year ended December 31, 2009 was \$13.0 million or \$1.46 per unit.
- **Growing Portfolio in Major Markets** – Acquired equity interests in \$108.7 million of office buildings totaling 0.5 million square feet, predominantly in the Greater Toronto Area. Acquired equity interests in \$47.0 million of industrial buildings totaling 0.6 million square feet in Montreal and Regina. Subsequent to December 31, 2009, acquired a 49.9% equity interest in \$214 million of acquisitions totaling 1.1 million square feet of office buildings in the Greater Toronto Area.

- **Award Winning Acquisitions** – Awarded the Real Estate Excellence Award for Investment Deal of the Year by NAIOP, the leading organization for developers, owners and related professionals in office, industrial and mixed-use real estate, in connection with Whiterock and its co-owner's acquisition of a 411,285 square foot office building in the heart of the Greater Toronto Area.
- **Accretive Acquisitions** – In-place AFFO yield on 2009 acquisitions of approximately 17%. In-place AFFO yield on properties acquired subsequent to year end of approximately 13%.
- **Success in Renewals** – Finished 2009 leasing with 21% increase in rates. To date 50% of leases up for renewal in 2010 have been re-leased. Increases in 2010 lease renewal rates have averaged 25%.
- **Excellent Financial Flexibility** – In the year ended December 31, 2009 issued \$23 million of convertible debentures, (26% of which have already converted at a 19% premium to the unit price at time of issue), \$10.9 million of equity, and renewed \$42 million of credit facilities. \$1.7 million was drawn on credit facilities at December 31, 2009, which was subsequently repaid in full.
- **High Quality Acquisition Pipeline** – The right of first opportunity to purchase, at fair market value, Whiterock's co-owner's \$213 million current interest in co-owned properties provides a high quality potential pipeline of future acquisitions in major markets.
- **Decreasing Leverage** – Decreased debt to gross book value leverage ratio from 73% at December 31, 2008 to approximately 65% at December 31, 2009, adjusted for the February 2010 public offering and acquisition.
- **Investment Grade Tenants on Long-Term Leases** – 55% of revenues were from government and other investment grade tenants in 2009. Average lease term of the portfolio was 7.4 years, providing strong cash flow stability.
- **Secure Top Ten Tenants** – Average remaining lease term of top ten tenants, all investment grade and representing 43% of revenue, is 10.8 years.
- **Stable Occupancy** – 96.2% occupancy rate at December 31, 2009.
- **Long-Term Fixed Rate Debt** – Average 6.2 year term for mortgage debt at a weighted average interest rate of 5.7%, all at fixed rates.
- **Geographically Balanced Portfolio** – At December 31, 2009, 13% of the portfolio's property operating income was in Alberta, 19% in Saskatchewan, 31% in Ontario, 24% in Quebec and 13% in Atlantic Canada.
- **Yield** – Distribution yield of 11.3%, based on per unit distributions for the year ended December 31, 2009, totaling \$1.68, and the March 19, 2010 Unit closing price of \$14.89.
- **Tax Efficient Distributions** – 100% of the distributions made since its formation in 2005 were classed as return of capital for tax purposes.

UNIT CONSOLIDATION AND SUBDIVISION

On December 22, 2008, Whiterock consolidated its issued and outstanding units on the basis of one post-consolidated unit for every three pre-consolidated units. On November 6, 2009, the Trust subdivided its issued and outstanding units on the basis of one additional unit for each pre-subdivision unit held.

All references to units, unit options and warrants, including per unit values, contained herein have been adjusted to reflect the consolidation and subdivision of units.

BUSINESS OVERVIEW

Whiterock is a growth-oriented REIT focused on increasing Unitholder value through strategic acquisitions, ownership and management of high quality office, industrial, and retail properties in major select markets across Canada which provide high returns while maintaining high tenant credit quality.

In 2009, Whiterock proactively increased its financial flexibility in anticipation of difficult economic conditions and to prepare for future opportunities. Since September 2009 to date, Whiterock has acquired an interest in over \$350 million of property, 89% of which is in the Greater Toronto Area ("GTA"), primarily on the Hwy 427 corridor. This strengthening of Whiterock's GTA portfolio should also be accompanied by significant FFO and AFFO growth in 2010 from these acquisitions.

At December 31, 2009, approximately 36% of Whiterock's revenue stream is derived from government leases, and government leases combined with other investment grade tenants supply 55% of the revenue stream. The average remaining lease term of the portfolio was 7.4 years at December 31, 2009 and is matched with a 6.2 year average term for mortgage debt.

PORTFOLIO MIX

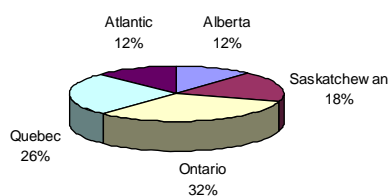
At December 31, 2009, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA ⁽¹⁾	Number of Properties	GLA ⁽¹⁾	Number of Properties	GLA ⁽¹⁾
Quebec	7	976,386	-	-	1	45,000
Ontario	6	576,075	-	-	4	243,160
Saskatchewan	5	219,776	3	174,701	3	332,534
Alberta	4	184,410	1	54,514	2	90,991
Nova Scotia	2	103,584	1	33,857	1	115,773
New Brunswick	2	100,540	-	-	2	134,704
Prince Edward Island	-	-	3	69,266	-	-
Total	26	2,160,771	8	332,338	13	962,162

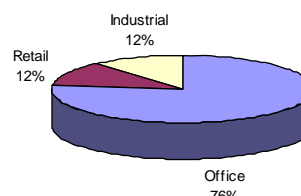
(1) Gross Leasable Area includes Whiterock's share of properties and investments in properties accounted for using the equity method.

Using in-place gross revenue at December 31, 2009, including Whiterock's share of gross revenue from investments in properties accounted for using the equity method, Whiterock's geographic and asset type diversification are as follows:

Geographic Diversification by Gross Revenue

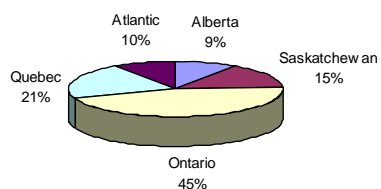


Asset Type Diversification by Gross Revenue

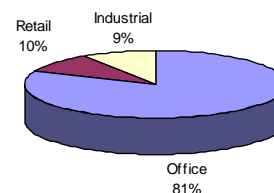


Whiterock acquired an interest in 1.1 million square feet of the Greater Toronto Area office subsequent to December 31, 2009. The acquisition of an interest in this portfolio significantly improved the geographic diversification of Whiterock. Taking into account this acquisition, geographic and asset type, diversification becomes:

Geographic Diversification by Gross Revenue



Asset Type Diversification by Gross Revenue



Approximately 90% of the 45% in Ontario now comes from investments in the GTA. The GTA acquisitions represent institutional quality office space in the most prestigious market in Canada and further improve Whiterock's overall portfolio. Whiterock has the right of first opportunity with respect to acquisition of its co-owner's investments. This represents a significant pipeline of high quality potential acquisitions, 84% of which are in the GTA.

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions. Since its Initial Public Offering in June 2005, management has considered and completed acquisitions in Western Canada, Ontario, Quebec and Atlantic Canada. Whiterock's investment criteria is contained in its declaration of trust, as amended and restated from time to time, (the "Declaration of Trust") a copy of which may be obtained at www.sedar.com.

While it has been Whiterock's intention to acquire a geographically diversified mix of office, retail and industrial properties, office buildings have comprised the majority of its acquisitions to date. Management believes this segment has provided the most favourable acquisition opportunities to date.

OVERALL BUSINESS STRATEGY AND OBJECTIVES

During the year ended December 31, 2009 Whiterock continued to operate and expand its high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock has an opportunistic acquisition program with an additional focus on internal growth measures. Whiterock is primarily targeting properties in major markets while adhering to its real estate investment criteria.

The objectives of Whiterock are to:

- (i) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets;
- (ii) generate stable and growing cash distributions on a tax-efficient basis;
- (iii) expand Whiterock's asset base and increase its income available for distribution through an accretive property and co-ownership acquisition program; and
- (iv) acquire well-located real estate and have a large proportion of investment grade tenants having longer-term leases and match acquisitions with fixed-rate debt of similar term.

The internal growth potential from below market leases, combined with the security provided by existing long term high credit tenants, continue to help maintain the stability of results in turbulent times. Whiterock remains intensely focused on its existing tenants and properties to continue to drive internal growth.

Whiterock achieves its objectives by employing the external and internal growth strategies set out below.

External Growth through Opportunistic and Disciplined Acquisitions

As of December 31, 2009, Whiterock's investment in real estate was \$454 million (GBV), up from \$3 million at the time of its initial public offering in June 2005. The total cost of assets that Whiterock has an interest in, including acquisitions since December 31, 2009, exceeds \$800 million. To December 31, 2009 Whiterock's share of properties and investments in properties accounted for using the equity method has increased to 3.5 million square feet of Gross Leasable Area (GLA) from 26,000 square feet of GLA.

Whiterock's growth strategy includes acquiring real estate at attractive capitalization rates while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. Whiterock focuses on assets with visible, growing cash flow streams and draws on management's

experience in leasing, operations and financing to enhance value. Completing acquisitions at capitalization rates that have positive spreads to the asset-level financing serves to enhance the REIT's performance.

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: the Greater Toronto Area; Ottawa; Montreal; Regina; Saskatoon and Halifax.

Management has utilized a geographically opportunistic growth strategy, allowing the REIT to participate in any Canadian market where an opportunity exists to acquire assets that conform to its investment criteria. The properties may be acquired in whole or in part in conjunction with institutional co-owners, allowing Whiterock to leverage its returns as a result of its integrated property management platform.

Management has an extensive network of real estate contacts across Canada, the necessary experience to source properties directly from vendors or to purchase through traditional channels, as well as the ability to move quickly to acquire high quality, accretive properties.

Whiterock engages in rigorous financial, physical and market due diligence, focusing on the acquisition criteria set out below:

- *Finding superior locations:* Whiterock seeks assets that are well-located in their respective markets.
- *Long-term leases:* Whiterock attempts to secure where possible longer-term leases with high quality credit tenants.
- *Limiting deferred capital expenditures:* Whiterock attempts to acquire properties in good condition by focusing on the average age of the building and the length of time since renovation.
- *Acquiring properties below replacement cost:* Management believes this provides a significant advantage in retaining tenants.

Internal Growth through Active Management

Whiterock is a full service real estate platform. Whiterock achieves internal growth by realizing market rate rents as existing below market rate leases expire and by renewing or extending tenant leases, when possible. Renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and prevent interruptions in rental income resulting from periods of vacancy. When an existing tenant chooses not to renew its lease, Whiterock attempts to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

Current Business Environment

The 2009 calendar year brought concern and uncertainty regarding the state of the overall economic environment. As a result, management believed it was prudent to bolster cash and facility reserves. During the year ended December 31, 2009, Whiterock raised \$10.9 million in a public equity offering and \$23 million in a convertible debenture offering. The amount drawn on Whiterock's \$42 million in acquisition and operating facilities was reduced from \$30.9 million to \$1.7 million by the end of the year, giving Whiterock significant additional financial flexibility and a strong balance sheet. This additional financial flexibility has temporarily reduced Whiterock's FFO and AFFO per unit.

Whiterock's portfolio is built to help alleviate the cyclical nature of the real estate industry, with long-term leases (7.4 years), long-term debt (6.2 years) at fixed rates (5.7%), and a high percentage of investment grade tenants (55%). Furthermore, with Whiterock's focus on active asset and property management and its disciplined acquisition strategy, management believes that these characteristics should continue to benefit Whiterock.

Management believes that a tentative economic recovery is underway and that this will bring opportunities for investment to enhance both cash flow and the quality of Whiterock's real estate portfolio. Accordingly, subsequent to December 31, 2009, Whiterock closed a \$51.8 million public equity offering. Whiterock used the net proceeds of the offering primarily to fund its net 49.9% equity interest in a \$214 million portfolio of GTA office properties (see "Investment Activities – Acquisitions Completed Subsequent to December 31, 2009") and for general trust purposes.

KEY PERFORMANCE INDICATORS

Several factors contribute to the continued successful operation of Whiterock's business. These include:

- rental and renewal rates;
- occupancy levels;
- quality of tenant revenue stream;
- availability of properties that meet Whiterock's acquisition criteria; and
- financing rates and availability.

Whiterock's success is also based on its ability to acquire well located real estate with a large proportion of tenants with high credit ratings having long-term leases and matching these acquisitions with fixed rate debt of similar term. Whiterock's key performance indicators are illustrated in the table below together with a prior year comparative:

(For the year ended)	December 31, 2009	December 31, 2008
FFO (basic) per unit ⁽¹⁾	\$ 1.64	\$ 2.02
AFFO (basic) per unit ⁽²⁾	\$ 1.46	\$ 1.68
Property operating income - continuing	\$ 36,839,416	\$ 34,051,441
Property operating income - same asset	\$ 29,740,884	\$ 30,784,085
Investment in real estate assets - continuing ⁽³⁾	\$ 454,379,256	\$ 442,419,028
Weighted average mortgage rate	5.7%	5.5%
Weighted average debenture rate	6.8%	6.8%
Interest coverage ratio ⁽⁴⁾	1.7	1.9
Average lease term (in years) ⁽⁵⁾	7.4	7.7
Occupancy level ⁽⁵⁾	96.2%	98.1%
FFO cash payout ratio ⁽⁶⁾	93.3%	73.0%

(1) Based on FFO of \$14,700,386 and \$15,035,153 in the twelve months ended December 31, 2009 and December 31, 2008.

(2) Based on AFFO of \$13,034,077 and \$12,463,236 in the twelve months ended December 31, 2009 and December 31, 2008.

(3) As at period end. December 31, 2009 includes Whiterock's co-ownership share of \$156 million of real estate assets accounted for using the equity method. December 31, 2008 includes \$7.3 million of mortgages receivable secured by real estate assets.

(4) Interest coverage is calculated based on continuing property operating income and income from equity investments less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest and other income.

(5) Reflects executed leases as at the date of this MD&A.

(6) FFO cash payout ratio is calculated as cash distributions divided by FFO for the year ended December 31, 2009 and 2008.

FFO payout ratio calculated using total distributions (including value of units issued under Whiterock's Distribution Re-investment Plan) divided by FFO for the year ended December 31, 2009 and 2008 is 102.4% and 83.2% respectively.

In the year ended December 31, 2009, Whiterock decreased the amount drawn on its operating and acquisition facilities by \$29.2 million and increased its continuing property operating income by \$2.8 million compared to the prior year comparative period and acquired an interest in \$156 million of real estate. Whiterock's key performance indicators in 2009 were impacted by the cost of increased liquidity generated from new mortgages and equity as these funds were re-invested for only part of the period and

by temporary vacancies and provisions for doubtful accounts arising from the economic downturn. The fundamentals of the portfolio remained sound, with a high percentage of investment grade tenants (55%), long-term leases (7.4 years), and long-term (6.2 years) fixed rate (5.7%) debt. Whiterock is positioned to benefit from the financial flexibility it has created.

SELECTED ANNUAL INFORMATION

Additional selected annual information for Whiterock as at, and for the year ended December 31, 2009 and 2008 is as follows:

(000's except per unit data and ratios)	2009	2008	2007 ⁽³⁾
Investment in real estate (continuing) during the year ⁽¹⁾	\$ 17,741	\$ 99,495	\$ 12,103
Total assets	\$ 429,413	\$ 432,905	\$ 355,173
Mortgages payable and facilities	\$ 266,482	\$ 284,154	\$ 224,599
Convertible debentures	\$ 71,268	\$ 52,534	\$ 43,508
Unitholders' equity	\$ 77,939	\$ 80,069	\$ 74,862
Total revenue	\$ 61,126	\$ 56,222	\$ 48,520
Property operating income	\$ 36,839	\$ 34,051	\$ 29,174
Interest expense	\$ 21,491	\$ 18,172	\$ 16,774
Income (loss)	\$ (2,381)	\$ 1,577	\$ 815
Income (loss) per unit - basic	\$ (0.27)	\$ 0.21	\$ 0.12
Income (loss) per unit - diluted	\$ (0.27)	\$ 0.21	\$ 0.12
Funds from operations (FFO)	\$ 14,700	\$ 15,035	\$ 8,974
FFO per unit - basic	\$ 1.64	\$ 2.02	\$ 1.34
FFO per unit - diluted	\$ 1.61	\$ 1.94	\$ 1.32
Adjusted funds from operations (AFFO)	\$ 13,034	\$ 12,463	\$ 6,889
AFFO per unit - basic	\$ 1.46	\$ 1.68	\$ 1.03
AFFO per unit - diluted	\$ 1.40	\$ 1.59	\$ 1.02
Total annual distributions	\$ 15,155	\$ 12,571	\$ 11,323
Total annual distributions - per unit	\$ 1.68	\$ 1.68	\$ 1.68
Weighted average units outstanding			
Basic	8,941,535	7,429,854	6,718,605
Diluted - FFO	9,912,994	9,391,359	6,786,095
Diluted - AFFO	11,569,409	9,391,359	6,786,095
Other data (at year end)			
Net debt to total market capitalization - debentures as equity	56.7%	80.5%	60.5%
Net debt to total market capitalization - debentures as debt	70.7%	86.9%	71.6%
Interest coverage - including debentures as debt ⁽²⁾	1.7	1.9	1.7
Interest coverage - including debentures as equity ⁽²⁾	2.2	2.5	2.3
Occupancy level	96.2%	98.1%	98.6%

(1) Includes investment in co-ownerships accounted for using the equity method. This represents an equity interest in \$156 million of office and industrial property.

(2) Interest coverage is calculated based on continuing property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest and other income.

(3) 2007 results have not been restated for 2009 discontinued operations.

Since December 2007, Whiterock's total assets have significantly increased, primarily due to property acquisitions net of property dispositions. Recurring Funds from operations has grown from \$11.2 million in 2007 (after excluding \$2.2 million one-time cost associated with reviewing strategic alternatives for the REIT) to \$14.7 million in 2009, an average increase of 15% per year, primarily due to accretive acquisitions and rental rate growth on leasing activity. Recurring Adjusted funds from operations has grown from \$9.1 million in 2007 (after excluding \$2.2 million of one-time costs associated with reviewing strategic alternatives for the REIT) to \$13.0 million in 2009, an average increase per year of 20%,

primarily due to accretive acquisitions, rental rate growth (cash based), and gains on disposition of property.

INVESTMENT ACTIVITIES

Whiterock acquired 53 properties from the time of its initial public offering in June 2005 to December 31, 2009 with a GLA of 4.3 million square feet (Whiterock's interest) and a GBV of approximately \$519 million (Whiterock's interest). In the year ended December 31, 2009, Whiterock acquired a 15% interest in 310 Henderson Drive, an industrial facility in Regina, Saskatchewan, a 40% interest in 401 & 405 The West Mall, an office building in Toronto, Ontario, a 40% interest in 460 Two Nations Crossing, an office building in Fredericton, New Brunswick, a 20% interest in 1900 Dickson Street, a distribution centre in Montreal, Quebec, and a 40% interest in 49 Ontario Street, an office building in Toronto, Ontario. In the second quarter of 2009, Whiterock disposed of 400 Volta Road, a non-core property in Quebec City for gross proceeds of \$1.5 million. In the fourth quarter of 2009, Whiterock disposed of 4609 Manitoba Road, an industrial building in Calgary, Alberta for gross proceeds of \$1.5 million.

There were 10 properties acquired in 2008 with a GLA of 0.4 million square feet for \$92.7 million with initial mortgage financing of \$37.4 million. In the first quarter of 2008, Whiterock disposed of 310 Henderson Drive for proceeds of \$14.0 million with an option to reacquire the property at market once substantially leased.

2009 Acquisitions

The Trust acquired an interest in \$156 million of properties in 2009 through co-ownerships accounted for on an equity basis as follows:

Property name	% ⁽¹⁾	City	Province	Date Acquired	(Sq. Ft.) ⁽¹⁾
310 Henderson Drive	15%	Regina	SK	06/26/09	59,098
401 & 405 The West Mall	40%	Toronto	ON	09/01/09	164,515
460 Two Nations Crossing	40%	Fredericton	NB	11/09/09	20,378
1900 Dickson Street	20%	Montreal	QC	12/18/09	45,000
49 Ontario Street	40%	Toronto	ON	12/21/09	34,842
					323,833

(1) Whiterock's ownership interest

310 Henderson Drive is a high quality industrial facility comprised of 24 foot clear height warehouse and distribution space with a small office component. The property is one of the largest of its kind in Regina, Saskatchewan and is situated on over 24 acres of land in close proximity to Regina's Ring Road. Access to the building is provided by 41 dock doors, of which 25 have an enclosed loading area. The property is improved by extensive paved areas to facilitate large transport trailers, employee parking and four acres of excess land. It is 100% leased to national and local firms.

On June 26, 2009, the Trust acquired a 15% interest in 310 Henderson Drive in Regina, Saskatchewan. The Trust's investment, net of debt totaled \$1.2 million and was financed with cash on hand.

401 & 405 The West Mall is comprised of two 11-storey Class A office towers, linked by a two-storey atrium, totaling 411,285 square feet of net rentable area. The property is positioned on the northeast corner of Burnhamthorpe Road and The West Mall. The property serves as Canadian headquarters to several multinational companies and is a leading asset in its competitive set.

On September 1, 2009 Whiterock acquired a 40% interest in 401 & 405 The West Mall for \$9.9 million net of debt. The acquisition was financed by drawing on the Trust's acquisition and operating credit facilities.

460 Two Nations Crossing is a newly constructed 50,945 square-foot office building located just northeast of downtown Fredericton. The property features easy access to a major arterial road, Ring Road, and is within 10 minutes of downtown Fredericton, as well as within 30 minutes of the Greater Fredericton Airport.

On November 9, 2009 the Trust acquired a 40% interest in 460 Two Nations Crossing for approximately \$1.4 million net of debt. The acquisition was financed with cash on hand.

1900 Dickson Street is a first class recently constructed 225,000 square-foot built to suit distribution centre. The distribution centre is located at 1900 Dickson Street on the island of Montreal and is ideally located due to its close proximity to downtown Montreal.

On December 18, 2009 the Trust acquired a 20% interest in 1900 Dickson Street for approximately \$2.3 million net of debt. The acquisition was financed with cash on hand

49 Ontario Street is a 7-storey recently renovated contemporary 87,105 square-foot office building in Downtown Toronto, with approximately 24,000 square-foot parking area. It houses one of North America's premiere and technically sophisticated post production facilities.

On December 21, 2009 the Trust acquired a 40% interest in 49 Ontario Street for approximately \$2.7 million net of debt. The acquisition was financed with cash on hand.

The acquisitions completed in 2009 have been acquired in conjunction with institutional co-owners, allowing Whiterock to leverage its returns as a result of its integrated property management platform. The Trust has property management control over the properties and has a right of first opportunity in the event of a future sale of the properties by the other owner. The Trust has significant influence over its investments and the investments are accounted for using the equity method. Summarized financial results for Whiterock's co-ownership interest for the year ended December 31, 2009 and 2008 are as follows:

	Year ended	
	December 31, 2009	December 31, 2008
Assets		
Income properties	\$ 47,373,472	\$ -
Deferred Charges	1,899,764	-
Intangible assets	5,754,161	-
Other assets	2,506,071	-
	\$ 57,533,468	\$ -
Liabilities and Equity		
Mortgages payable and facilities	\$ 37,279,715	\$ -
Other accounts payable	2,512,852	-
	17,740,901	-
Net Investment	\$ 57,533,468	\$ -

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Revenue				
Income property rentals	\$ 1,690,784	\$ -	\$ 2,260,225	\$ -
Other income	-	-	-	-
	1,690,784	-	2,260,225	-
Expenses				
Property operating costs & G&A	709,262	-	944,157	-
Interest	421,111	-	566,846	-
Amortization	408,192	-	547,595	-
	1,538,565	-	2,058,598	-
Net Income	\$ 152,219		\$ 201,627	\$ -

At December 31, 2009, two members of management who were Trustees of the Trust (each an "Executive" and together, The "Executives") had an indirect minority economic interest of less than 1% in the co-owner of 310 Henderson Drive, and 401 & 405 The West Mall. One of the Executives had an indirect minority economic interest of less than 1% in the co-owner of 460 Two Nations Crossing, 1900 Dickson Street, and 49 Ontario Street. In addition, an Executive controlled an investment advisory business (the "Business") that provided advisory services to the co-owner and received market compensation for such services. Whiterock did not pay any fees to the Business or to the co-owner. The independent members of the Board of Trustees of Whiterock have reviewed these transactions, including the involvement of the Executives, and determined that the equity investment by the Trust in each of these assets is in the best interests of the Trust.

Acquisitions Completed Subsequent to December 31, 2009

On February 12, 2010, Whiterock completed the acquisition of a 49.9% equity interest in a portfolio of office properties for approximately \$214 million excluding closing costs. Whiterock also assumed a 49.9% interest in two mortgages totaling \$140 million with a weighted average interest rate of 5.87%, of which \$55 million matures in 2012, and \$85 million matures in 2013. Whiterock's net investment in this acquisition was funded from the proceeds of a \$51.8 million public offering. The Trust has property management control and has a right of first opportunity in the event of a future sale of the properties by the co-owner.

A description of the properties acquired follows:

Property name	City	Province	(Sq. Ft.) ⁽¹⁾
185, 191 & 195 The West Mall	Toronto	ON	305,887
300, 302 & 304 The East Mall	Toronto	ON	163,173
2810 Matheson Boulevard East	Mississauga	ON	67,365
			536,425

(1) Represents Whiterock's 49.9% ownership interest

185, 191 & 195 The West Mall – consists of three freestanding buildings that were constructed between 1984 and 1989, as well as a recently constructed parking structure. The combined square footage of the three buildings totals approximately 613,000 square feet. The main lobbies, washrooms and elevators in each of the buildings have recently been retrofitted adding to the clean modern look of the complex which offers prime signage opportunities.

300, 302 & 304 The East Mall – is a 327,000 square-foot office park consisting of three buildings with excellent access and visibility from Highway 427 providing attractive signage opportunities. The site is comprised of three low- and mid-rise multi-tenanted buildings and has a tenant roster of notable national and international organizations.

2810 Matheson Boulevard East – is a well-situated asset in the Airport Corporate Centre node of Mississauga. The class A suburban office building is visible from both Highway 401 and Highway 427 and contains eight floors comprised of approximately 135,000 square feet. The site also consists of excess land that could in the future support 110,000 square feet of new construction.

2009 Disposition

Details of Whiterock's property divestitures in the year ended December 31, 2009 are as follows:

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)
400 Volta Avenue	Quebec	QC	5/29/09	29,700
4609 Manitoba Road	Calgary	AB	12/7/09	12,700

Effective May 29, 2009, the Trust sold its interest in a 29,700 square-foot non-core industrial property in Quebec City, Quebec for gross proceeds totaling \$1.5 million, representing a gain on sale of \$0.5 million. Proceeds from the sale were used in part to repay the \$0.6 million mortgage on the property and \$0.6 million of cross guaranteed mortgages.

Effective December 7, 2009, the Trust disposed of its interest in a 12,700 square-foot non-core industrial property in Calgary, Alberta for gross proceeds totaling \$1.5 million, representing a gain on sale of \$0.1 million.

2008 Disposition

Details of Whiterock's property divestiture in the year ended December 31, 2008 are as follows:

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)
310 Henderson Drive	Regina	SK	01/28/08	395,159

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximated the Trust's GBV. The Trust had the right to acquire the property at market once substantially leased. This transaction enabled the Trust to subsequently re-acquire an interest in this attractive asset in a desirable market, once stabilized, without incurring operating shortfalls or the risk associated with lease-up of the property.

Subsequent Disposition

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)
650 University Avenue	Charlottetown	PEI	03/01/10	1,650

Subsequent to December 31, 2009, Whiterock disposed of 650 University Avenue, a 1,650 square-foot retail property in Charlottetown, P.E.I. for gross proceeds totaling \$0.8 million.

SUMMARY OF QUARTERLY RESULTS

Whiterock was created through a predecessor entity on December 8, 2004. It began active operations on June 28, 2005 in conjunction with an Initial public offering.

(in \$000's except per unit information)	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue								
- continuing operations	15,379	15,338	14,751	15,658	15,717	14,728	12,814	12,962
- discontinued operations	1	26	71	82	82	76	46	163
Property operating income								
- continuing operations	9,234	9,331	9,013	9,261	9,380	9,309	7,722	7,641
- discontinued operations	(8)	11	12	63	64	60	34	50
Income (loss)	(449)	(1,412)	26	(546)	221	377	620	359
Income (loss) per unit								
- basic	(0.05)	(0.15)	0.00	(0.07)	0.03	0.05	0.09	0.05
- diluted	(0.05)	(0.15)	0.00	(0.07)	0.03	0.05	0.09	0.05
Funds from operations (FFO)	3,716	3,699	3,403	3,882	4,081	4,036	3,535	3,355
FFO per unit								
- basic	0.39	0.39	0.39	0.49	0.52	0.52	0.49	0.48
- diluted	0.37	0.39	0.39	0.47	0.50	0.49	0.48	0.47
Adjusted funds from operations (AFFO)	3,300	3,288	3,188	3,258	3,405	3,324	2,923	2,784
AFFO per unit								
- basic	0.34	0.35	0.37	0.41	0.43	0.43	0.41	0.40
- diluted	0.32	0.34	0.35	0.39	0.41	0.40	0.39	0.38
Cash distribution per unit	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Total assets	429,413	425,972	424,220	432,515	432,905	435,544	343,140	346,680
Occupancy level	96.2%	96.0%	97.0%	97.1%	98.1%	98.3%	98.50%	98.8%

Whiterock's operations, and therefore its quarterly results, are generally not subject to seasonal influences, but they are impacted by economic events and cycles of a local, national and international nature which may affect the demand for space and the level of interest rates. Whiterock's leases generally have provisions which allow for increases in rents to offset the effects of inflation on operating costs.

The quarterly information highlights the fluctuation of total assets over the eight quarters, reflective of the timing of acquisitions and divestitures.

Total revenue, FFO and AFFO are reflective of the changes in total assets, occupancy, leveraging and non-recurring items.

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three months and year ended December 31, 2009 and 2008 are as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Property operating income	\$ 9,233,723	\$ 9,379,894	\$ 36,839,416	\$ 34,051,441
Income from equity investments	152,225	-	201,627	-
Interest and other income	59,487	182,776	480,345	832,709
Interest expense	(5,649,945)	(5,112,854)	(21,491,264)	(18,171,507)
General and administrative expenses	(449,854)	(351,860)	(1,784,987)	(1,673,278)
Amortization	(3,858,799)	(3,859,402)	(17,052,844)	(13,412,961)
Income (loss) before the undernoted	(513,163)	238,554	(2,807,707)	1,626,404
Future income expense	(40,000)	(30,000)	(40,000)	(100,000)
Income (loss) from continuing operations	(553,163)	208,554	(2,847,707)	1,526,404
Income (loss) from discontinued operations	(15,120)	12,285	(182,577)	5,540
Gain on disposition of properties	118,846	-	648,934	44,819
Net income (loss) and comprehensive income	\$ (449,437)	\$ 220,839	\$ (2,381,350)	\$ 1,576,763
Basic net income (loss) per unit				
Continuing operations	\$ (0.06)	\$ 0.03	\$ (0.32)	\$ 0.21
Discontinued operations	\$ 0.01	\$ -	\$ 0.05	\$ 0.01
Net income (loss) per unit	\$ (0.05)	\$ 0.03	\$ (0.27)	\$ 0.21
Diluted net income (loss) per unit				
Continuing operations	\$ (0.06)	\$ 0.03	\$ (0.32)	\$ 0.21
Discontinued operations	\$ 0.01	\$ -	\$ 0.05	\$ 0.01
Net income (loss) per unit	\$ (0.05)	\$ 0.03	\$ (0.27)	\$ 0.21

Whiterock's net income (loss) for the three months and year ended December 31, 2009 was \$(0.4) million and \$(2.4) million, respectively, compared to net income of \$0.2 million and \$1.6 million, respectively, in the three months and year ended December 31, 2008.

As a result of a tenant default at the Trust's 193 Malpeque Road property in Charlottetown, PEI, as well as a default by a tenant that occupied the 1512 & 1514 8th Street property in Nisku, Alberta, amortization expense for the year ended December 31, 2009 includes a one-time non-cash charges, totaling \$1.6 million, to write off the remaining unamortized balance of deferred charges and intangible assets that related to the leases that were terminated (three months ended December 31, 2009 - nil).

Net income (loss) for the three months ended December 31, 2009 was impacted by the cost of increased liquidity generated from the issuance of debentures on October 1, 2009 as these funds were not invested for the full period.

Following is a discussion of individual income components:

Property operating income

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Income property rentals				
Same Property ⁽¹⁾				
Rental income	\$ 14,481,157	\$ 14,690,423	\$ 48,110,475	\$ 48,033,899
Straight-line rent	265,150	313,481	958,120	1,173,190
Above and below market lease amortization	421,355	530,358	1,191,880	1,506,756
	15,167,662	15,534,262	50,260,475	50,713,845
Acquisitions				
Rental income	-	-	9,440,343	4,263,308
Straight-line rent	-	-	135,036	72,813
Above and below market lease amortization	-	-	608,025	339,228
Income property rentals	15,167,662	15,534,262	60,443,879	55,389,194
Property operating costs				
Same property ⁽¹⁾	5,933,939	6,154,368	20,519,591	19,929,760
Acquisitions	-	-	3,084,872	1,407,993
Property operating costs	5,933,939	6,154,368	23,604,463	21,337,753
Property operating income				
Same property ⁽¹⁾	9,233,723	9,379,894	29,740,884	30,784,085
Acquisitions	-	-	7,098,532	3,267,356
Total property operating income	\$ 9,233,723	\$ 9,379,894	\$ 36,839,416	\$ 34,051,441

(1) Same property values exclude the results of properties classified as discontinued operations. (See "2008 Disposition" and "2009 Disposition".)

Property operating income represents non-GAAP information and may not be comparable to measures used by other issuers. Property operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

Same Property Growth

On a same property basis, property operating income for the three months and year ended December 31, 2009 decreased \$0.1 million or 1.6% and \$1.0 million or 3.4%, respectively, compared to the three months and year ended December 31, 2008.

The \$0.1 million decrease in same property operating income in the three months ended December 31, 2009 is primarily the result of a tenant vacancy at 1512 & 1514 8th Street in Nisku, Alberta. Management considers this decrease to be temporary in nature.

Substantially all of the \$1.0 million decrease in same property operating income in the year ended December 31, 2009, is the result of temporary vacancies at 193 Malpeque Road in Charlottetown, PEI, 655 Bay Street in Toronto, Ontario and other small vacancies which management considers temporary in nature. The vacancies at 193 Malpeque Road and 655 Bay Street have been re-leased.

Income property rentals from same properties (41 properties owned for the three months ended December 31, 2009 and 2008) decreased \$0.4 million, or 2.4% for the three months ended December 31, 2009 as compared to 2008. Same property operating costs decreased \$0.2 million, or 3.6% for the three

months ended December 31, 2009 as compared to the same period in 2008. Same property operating income for the three months ended December 31, 2009 includes \$0.3 million from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.3 million in the comparable prior year period. In addition, income from same property rentals for the three months ended December 31, 2009 includes \$0.4 million of amortization of above and below market lease adjustments, compared to \$0.5 million for the same period in 2008.

Income property rentals from same properties (32 properties owned for the year ended December 31, 2009 and 2008) decreased \$0.5 million or 0.9% for the year ended December 31, 2009 as compared to 2008 as a result of the above-noted tenant vacancies. Same property operating costs increased \$0.6 million, or 3.0% for the year ended December 31, 2009 as compared to 2008. Same property operating income for the year ended December 31, 2009 includes \$1.0 million from leases with contractual rent increases recognized on a straight-line basis, as compared to \$1.2 million in the comparable prior year period. In addition, income from same property rentals for the year ended December 31, 2009 includes \$1.2 million of amortization of above and below market lease adjustments, compared to \$1.5 million for the same period in 2008.

Margins on same property net operating income in the fourth quarter of 2009 and 2008 are 61% and 60% respectively. Excluding the impact of the above noted-tenant vacancy, the margin on same property net operating income in the fourth quarter of 2009 is 62%.

Margins on same property net operating income for the year ended December 31, 2009 and 2008 are 59% and 61% respectively. Excluding the impact of the above-noted tenant vacancies, the margin on same property net operating income in the year ended December 31, 2009 is 61%.

Growth due to Acquisitions

Income property rentals for the year ended December 31, 2009 includes \$10.2 million from continuing properties acquired throughout 2008, compared to \$4.7 million for the same period in 2008.

Property operating costs increased due to 2008 acquisitions by \$1.7 million in the year ended December 31, 2009 compared to the same periods in 2008. Property operating costs were impacted by provisions for doubtful accounts and bad debt expense of \$0.4 million in the year ended December 31, 2009, related to a tenant that filed an assignment in bankruptcy at the Trust's 1512 & 1514 8th Street property. The receiver for the tenant continued to pay occupation rent until September 23rd, 2009, at which time the lease was disclaimed. Subsequent to December 31, 2009, the Trust entered into conditional offers to lease the premises.

As at December 31, 2009, the gross value of above and below market leases on acquisition for continuing operations was \$11.4 million.

Leasing Performance

The Trust continues to experience high occupancy levels in its properties. Occupancy levels were 96.2% at December 31, 2009 compared to 98.1% at December 31, 2008. The decrease in occupancy is predominantly the result of temporary vacancies at the Trust's 655 Bay Street in Toronto, which has subsequently been leased, as well as at 1512 & 1514 8th Street in Nisku, Alberta, where subsequent to December 31, 2009 the Trust entered into conditional offers to lease the premises.

To date, 50% of leases up for renewal in 2010 have been re-leased, and increases in 2010 lease renewal rates have averaged approximately 25% (2009 – 21%).

Segmented Performance

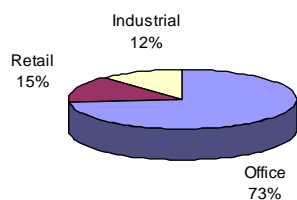
Property operating income (excluding discontinued operations) and income properties by segment for the three months ended December 31, 2009 and 2008 were as follows:

Three months ended December 31, 2009				
	Office	Retail	Industrial	Total
Income property rentals	\$ 11,506,825	\$ 1,977,907	\$ 1,682,930	\$ 15,167,662
Property operating costs	\$ 4,719,057	\$ 626,081	\$ 588,801	5,933,939
Property operating income	\$ 6,787,768	\$ 1,351,826	\$ 1,094,129	\$ 9,233,723

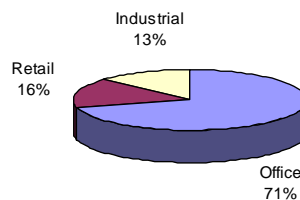
Three months ended December 31, 2008				
	Office	Retail	Industrial	Total
Income property rentals	\$ 11,606,579	\$ 2,091,197	\$ 1,836,486	\$ 15,534,262
Property operating costs	\$ 4,940,474	\$ 626,906	\$ 586,988	6,154,368
Property operating income	\$ 6,666,105	\$ 1,464,291	\$ 1,249,498	\$ 9,379,894

Property operating income from office properties provided 73% of total property operating income for the three months ended December 31, 2009, as compared to 71% of total property operating income for the same period in 2008.

Property Net Operating Income, Asset Class Mix,
for the three months ended December 31, 2009



Property Net Operating Income, Asset Class Mix,
for the three months ended December 31, 2008



Property operating income (excluding discontinued operations) and income properties by segment for the year ended December 31, 2009 and 2008 were as follows:

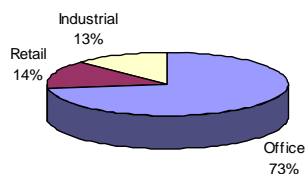
Year ended December 31, 2009				
	Office	Retail	Industrial	Total
Income property rentals	\$ 45,694,647	\$ 7,659,215	\$ 7,090,017	\$ 60,443,879
Property operating costs	\$ 18,796,890	\$ 2,381,347	\$ 2,426,226	23,604,463
Property operating income	\$ 26,897,757	\$ 5,277,868	\$ 4,663,791	\$ 36,839,416
Income properties - continuing	\$ 267,941,890	\$ 54,642,540	\$ 47,285,159	\$ 369,869,589

Year ended December 31, 2008				
	Office	Retail	Industrial	Total
Income property rentals	\$ 41,576,968	\$ 7,044,812	\$ 6,767,414	\$ 55,389,194
Property operating costs	\$ 17,123,265	\$ 2,035,964	\$ 2,178,524	21,337,753
Property operating income	\$ 24,453,703	\$ 5,008,848	\$ 4,588,890	\$ 34,051,441
Income properties - continuing	\$ 273,901,569	\$ 55,879,072	\$ 48,382,160	\$ 378,162,801

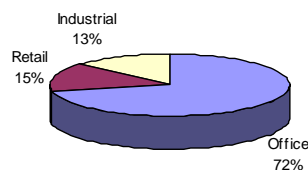
Property Operating Income by asset class excludes the impact of equity accounted investments. All of Whiterock's acquisitions in 2009 and subsequent to December 31, 2009, have been accounted for using the equity method. Whiterock's interest in these entities when added to the existing portfolio would increase the office component of the portfolio.

Property operating income from office properties provided 73% of total property operating income for the year ended December 31, 2009 compared to 72% for the same period in 2008.

Property Net Operating Income, Asset Class Mix, for the year ended December 31, 2009



Property Net Operating Income, Asset Class Mix, for the year ended December 31, 2008



At December 31, 2009, Whiterock has achieved a relative geographic balance of revenue from its portfolio across Canada, with approximately 13% of the portfolio's property operating income generated from Alberta, 19% from Saskatchewan, 31% from Ontario, 24% from Quebec and 13% from Atlantic Canada.

Taking into account Whiterock's equity investments in properties acquired up to March 19, 2010, the provincial proportion of income (on a gross revenue basis) would be: 9% from Alberta, 15% from Saskatchewan, 45% from Ontario, 21% from Quebec and 10% from Atlantic Canada.

Interest and other income

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Interest income	\$ 6,663	\$ 182,776	\$ 382,521	\$ 832,709
Other	52,824	-	97,824	-
	\$ 59,487	\$ 182,776	\$ 480,345	\$ 832,709

Interest and other income for the three months and year ended December 31, 2009 totaled \$0.06 million and \$0.5 million respectively compared to \$0.2 million and \$0.8 million in the prior year comparative periods, and was derived primarily from interest on mortgages receivable. Other income comprises cash generated from property management fees.

Interest expense

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Mortgage interest expense	\$ 3,771,545	\$ 3,439,020	\$ 14,956,213	\$ 12,540,843
Facilities and other interest expense	15,413	298,471	426,780	729,230
Debenture interest	1,295,868	942,736	4,109,790	3,436,488
Deferred finance cost				
- mortgages	107,322	70,505	388,678	230,673
- acquisition and operating facilities	114,543	119,618	504,575	326,698
- convertible debentures	179,744	123,695	566,091	483,897
Implicit interest rate in excess of coupon				
- convertible debentures	165,510	118,809	539,137	423,678
Interest expense	\$ 5,649,945	\$ 5,112,854	\$ 21,491,264	\$ 18,171,507

Interest expense for the three and year ended December 31, 2009 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition and operating facilities. The increase of \$0.5 million for the three months ended December 31, 2009 and \$3.3 million for the year ended December 31, 2009, as compared to the prior year comparative periods, results from mortgages on properties acquired, new mortgages, new convertible debentures, and from the use of the acquisition and operating facilities.

General and administrative expenses

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Salaries and wages	\$ 312,762	\$ 147,351	\$ 1,051,715	\$ 774,285
Trustee fees paid in cash	39,375	25,825	183,442	50,031
Non-cash compensation - trustees and officers	151	32,309	138,103	206,260
Legal, audit and regulatory	16,002	88,638	207,440	348,860
Insurance	10,496	10,726	42,814	51,593
Other general and administrative	71,068	47,011	161,473	242,249
General and administrative expenses	\$ 449,854	\$ 351,860	\$ 1,784,987	\$ 1,673,278

For the three months and year ended December 31, 2009, general and administrative expenses totaled \$0.4 million and \$1.8 million respectively compared to \$0.4 million and \$1.7 million respectively for the comparable periods in 2008. Included in non-cash compensation for the three months and year ended December 31, 2009 is \$151 and \$138,103 of expense related to the value of options and units issued to trustees and officers of the Trust (three months and year ended December 31, 2008 - \$32,309 and \$206,260). Included in salaries and wages in the three months and year ended December 31, 2009 is \$0.1 million of severance costs (three months and year ended December 31, 2008 – nil).

Future income taxes

Recent tax legislation has adversely affected the tax status of many trusts. Management believes Whiterock has taken the steps necessary to qualify for exemption from these adverse changes. The following summarizes the legislative changes.

Whiterock currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly-listed or traded trusts, as discussed below, income earned by the Trust and distributed annually to Unitholders was not, and would not be, subject to taxation in the Trust, but was taxed at the individual Unitholder level. For financial statement reporting purposes, the tax deductibility of Whiterock's distributions was treated as an exemption from taxation as Whiterock distributed and was committed to continue distributing all of its taxable income to its Unitholders. Accordingly, the Trust did not previously record a provision for income taxes, or future income tax assets or liabilities, in respect of Whiterock or its wholly-owned subsidiary trust.

On June 22, 2007, legislation relating to the federal income taxation of a "specified investment flow-through" trust or partnership (a "SIFT"), received royal assent (the "SIFT Rules"). A SIFT includes certain publicly-listed or traded partnerships and trusts, such as income trusts and real estate investment trusts which do not meet certain conditions.

Under the SIFT Rules, following a transition period for Existing Trusts (as defined below), certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT

will be subject to tax on such amounts at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax. In fiscal 2006, 2007, 2008 and 2009, all Whiterock's distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") will generally become subject to the tax contemplated under the SIFT Rules commencing in its 2011 taxation year. However, in accordance with the Normal Growth Guidelines released by the Department of Finance on December 15, 2006, as amended, an Existing Trust may become subject to this tax prior to its 2011 taxation year if it issues new equity capital beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. As at December 31, 2009 Whiterock had not exceeded such limits.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its revenue and investments (the "REIT Exemption"). Management believes the Trust has modified its structure, business entities and processes in order to enable it to qualify for the REIT exemption starting in 2010.

Due to the SIFT Rules, in 2007 Whiterock commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets and liabilities were recorded using substantively enacted tax rates and laws expected to apply when the temporary differences were expected to reverse. Since the Trust now qualifies for the REIT exemption, the future tax asset previously recorded has been reversed and a future tax expense of \$40,000 was recognized in the three months and year ended December 31, 2009 (December 31, 2008 – \$30,000 and \$100,000).

Amortization

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Building and improvements	\$ 2,134,724	\$ 2,138,444	\$ 8,538,898	\$ 7,573,771
Deferred charges				
- tenant inducements on acquisitions	476,004	534,496	2,617,664	1,939,386
- leasing costs	284,211	130,782	862,025	442,698
Intangible assets				
- lease origination costs	566,106	631,617	3,086,489	2,058,378
- tenant relationships	370,908	399,005	1,848,679	1,301,310
Furniture and fixtures	26,846	25,058	99,089	97,418
Amortization	\$ 3,858,799	\$ 3,859,402	\$ 17,052,844	\$ 13,412,961

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$3.9 million and \$17.1 million respectively for the three months and year ended December 31, 2009, compared with \$3.9 million and \$13.4 million respectively for the comparable prior year periods. The increases in the current year primarily reflect the impact of property additions in 2008.

Discontinued operations

Effective December 7, 2009, the Trust disposed of its interest in a 12,700 square-foot non-core industrial property in Calgary, Alberta for gross proceeds totaling \$1.5 million, representing a gain on sale of \$0.1 million.

Effective May 29, 2009, the Trust sold its interest in a 29,700 square-foot industrial property in Quebec City, Quebec for gross proceeds totaling \$1.5 million, generating a gain on sale of \$0.5 million. Proceeds from the sale were used in part to repay the \$0.6 million mortgage on the property and \$0.6 million of cross-guaranteed mortgages.

On January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximated the Trust's GBV. In conjunction with the sale, the Trust provided a two year \$7.25 million second mortgage (subsequently repaid) at a 10% interest rate in priority to the additional equity capital provided by the purchaser.

The operating results for these properties and the gain on disposition of the properties have been classified as discontinued operations to comply with the disclosure requirements of CICA Handbook Section 3475.

Discontinued operating results for the above-noted properties are as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Income property rentals				
Rental income	\$ 1,438	\$ 81,429	\$ 179,733	\$ 356,757
Straight-line rent	-	74	124	297
Above and below market lease amortization	-	-	-	8,831
Income property rentals	1,438	81,503	179,857	365,885
Property operating costs	(9,307)	(17,714)	(101,513)	(157,294)
Property operating income	(7,869)	63,789	78,344	208,591
Interest income	3	45	390	923
Interest expense				
Mortgage interest expense	(4,766)	(25,739)	(65,742)	(108,910)
Deferred finance cost	2,001	(2,384)	(6,249)	(7,398)
Interest expense	(2,765)	(28,123)	(71,991)	(116,308)
Amortization				
Building and improvements	(4,489)	(10,926)	(32,480)	(51,861)
Deferred charges				
- tenant inducements on acquisitions	-	(3,622)	(49,569)	(9,250)
- leasing costs	-	(1,601)	(7,678)	(6,404)
Intangible assets				
- lease origination costs	-	(4,342)	(59,433)	(11,996)
- tenant relationships	-	(2,935)	(40,160)	(8,155)
Amortization	(4,489)	(23,426)	(189,320)	(87,666)
Income (loss) from discontinued operations	\$ (15,120)	\$ 12,285	\$ (182,577)	\$ 5,540

The gain on disposal for the above-noted properties is as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Gain on disposition of property	\$ 118,846	\$ -	\$ 648,934	\$ 44,819

Cash flow from operating activities

Cash flow from continuing operating activities for the three months and year ended December 31, 2009 was \$1.3 million and \$11.6 million respectively, compared to \$2.3 million and \$14.5 million, respectively, in the comparative prior year periods. Cash flow from continuing operations in the three months and year ended December 31, 2009 was impacted by occupancy levels, the timing of operating expenses, contractual rents on renewals and economies of scale from the larger operating platform in 2009.

Cash flow from discontinued operating activities for the three months and year ended December 31, 2009 was \$(0.04) and \$(0.01) million, respectively, compared to \$0.04 million and \$(0.07) million in the comparative prior year periods. In the year ended December 31, 2009 the disposition of a non-core industrial property in Quebec City, Quebec, and a non-core industrial property in Calgary, Alberta, generated \$1.0 million net cash proceeds. The disposition of an industrial property in Regina, Saskatchewan in the year ended December 31, 2008 generated net cash proceeds of \$6.4 million.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO are non-GAAP performance measures used by Whiterock to track performance and improve the understanding of operating results for the investing public. "GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

FFO for the three months and year ended December 31, 2009 and 2008 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, and February 10, 2009 as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Income (loss) for the period	\$ (449,437)	\$ 220,839	\$ (2,381,350)	\$ 1,576,763
Add back amortization:				
Building and improvements	2,134,724	2,138,444	8,538,898	7,573,771
Tenant inducements on acquisitions	476,004	534,496	2,617,664	1,939,386
Leasing costs	284,211	130,782	862,025	442,698
Lease origination costs	566,106	631,617	3,086,489	2,058,378
Tenant relationships	370,908	399,005	1,848,679	1,301,310
Discontinued operations	4,489	23,426	189,320	87,666
Equity investments	408,192	-	547,595	-
Add back:				
Future income tax expense	40,000	30,000	40,000	100,000
Less:				
Gain on disposition of property	(118,846)	-	(648,934)	(44,819)
Funds from Operations (FFO)	\$ 3,716,351	\$ 4,108,609	\$ 14,700,386	\$ 15,035,153

AFFO for the three months and year ended December 31, 2009 and 2008 is calculated as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Funds from Operations (FFO)	\$ 3,716,351	\$ 4,108,609	\$ 14,700,386	\$ 15,035,153
Amortization of deferred finance costs				
Continuing operations	401,609	313,818	1,459,344	1,041,268
Discontinued operations	2,001	2,384	6,249	7,398
Equity investments	6,455	-	8,430	-
Convertible debentures implicit interest rate in excess of coupon rate	165,510	118,809	539,137	423,678
Non cash compensation expense	151	32,309	138,103	206,260
Gain on disposition of properties, net of accumulated amortization ⁽¹⁾	84,946	-	402,838	-
Accrued straight line rental revenue				
Continuing operations	(265,149)	(313,481)	(1,093,155)	(1,246,003)
Discontinued operations	-	74	124	297
Equity investments	(38,181)	-	(52,409)	-
Above and below market lease amortization				
Continuing operations	(421,354)	(530,359)	(1,799,904)	(1,845,984)
Discontinued operations	-	-	-	(8,831)
Equity investments	(34,620)	-	(49,066)	-
Normalized revenue sustaining capital expenditures and leasing costs				
Continuing operations	-	-	-	-
Discontinued operations	(300,000)	(300,000)	(1,200,000)	(1,150,000)
Equity investments	(18,000)	-	(26,000)	-
Adjusted Funds from Operations (AFFO)	\$ 3,299,719	\$ 3,432,163	\$ 13,034,077	\$ 12,463,236

(1) 400 Volta - Gain on disposition - \$530,088, accumulated amortization - \$212,196.
4609 Manitoba - Gain on disposition - \$118,846, accumulated amortization - \$33,900.

FFO for the three months ended December 31, 2009 is \$3.7 million compared to \$4.1 million in 2008. FFO for the year ended December 31, 2009 is \$14.7 million compared to \$15.0 million in 2008. FFO for the three months and year ended December 31, 2009 was impacted by increased net operating income from the effect of new leases and rent escalations and accretive acquisitions in 2008 and 2009, which was offset by the cost of increased liquidity generated from the issuance of series G debentures, as these funds were not re-invested for the full period. FFO was also impacted by temporary vacancies in 655 Bay Street and 1512 & 1514 8th Street, and by increased interest costs as the Trust refinanced short term credit facilities with long term debt in order to realize more stable cash flows.

AFFO for the three months and year ended December 31, 2009 is \$3.3 million and \$13.0 million, respectively, compared to \$3.4 million and \$12.5 million, respectively, in the prior year comparative periods.

AFFO for the three months ended December 31, 2009 was impacted by increased net operating income from the effect of new leases and rent escalations (cash basis) and accretive acquisitions in 2008 and 2009, which was offset by the cost of increased liquidity generated from the issuance of series G debentures, as these funds were not re-invested for the full period. AFFO was also impacted by temporary vacancies in 655 Bay Street and 1512 & 1514 8th Street, by increased interest costs as the Trust refinanced short term credit facilities with long term debt in order to realize more stable cash flows as well as the gain on disposition of properties.

The increase in AFFO for the year ended December 31, 2009 is primarily the result of the gain (net of accumulated amortization) on the sale of 400 Volta and 4609 Manitoba, increased net operating income from the impact of accretive acquisitions and new leases and rent escalations (cash basis), partially offset by a decrease in occupancy level compared to the prior year, primarily from temporary vacancies in 193

Malpeque Road, 655 Bay Street and 1514 & 1514 8th Street, and provisions for doubtful accounts and bad debt expense. AFFO was also impacted by the cost of increased liquidity generated from new mortgages, equity and debentures, as these funds were not re-invested for the full period, and by the cost of refinancing short term credit facilities with long term debt in order to realize more stable cash flows.

Leasing costs and capital expenditures incurred in the three months and year ended December 31, 2009 considered to be revenue-sustaining in nature totaled \$0.5 million and \$1.5 million respectively. Costs undertaken to upgrade Courthouse facilities in 277 Pleasant Street in the three months and year ended December 31, 2009 totaled \$0.2 million and \$1.8 million respectively. Costs undertaken to upgrade the existing HVAC system at 900 D'Youville in Quebec City in the three months and year ended December, 2008 totaled nil and \$0.9 million respectively. These costs are revenue-enhancing rather than revenue-sustaining and are excluded from the calculation of AFFO. Normalized revenue sustaining capital expenditures and leasing costs, used in the calculation of AFFO, are \$0.3 million and \$1.2 million in the three months and year ended December 31, 2009 respectively. Normalized leasing costs and capital expenditures in the three months and year ended December 31, 2009, exclude \$0.2 million related to leasing costs at 193 Malpeque Road, to replace a tenant bankruptcy in January 2009.

Weighted average units outstanding and basic and diluted FFO and AFFO are as follows:

	Three months ended		Year ended	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Weighted average units outstanding				
Basic	9,636,041	7,890,756	8,941,535	7,429,854
Diluted - FFO	11,888,876	10,122,058	9,912,994	9,391,359
Diluted - AFFO	12,333,171	10,244,947	11,569,409	9,391,359
FFO per unit - basic	\$ 0.39	\$ 0.52	\$ 1.64	\$ 2.02
FFO per unit - diluted	\$ 0.37	\$ 0.50	\$ 1.61	\$ 1.94
AFFO per unit - basic	\$ 0.34	\$ 0.43	\$ 1.46	\$ 1.68
AFFO per unit - diluted	\$ 0.32	\$ 0.41	\$ 1.40	\$ 1.59

FFO per unit (basic) decreased by \$0.13 or 25% for the three months ended December 31, 2009 and \$0.38 or 19% for the year ended December 31, 2009, compared to the previous year comparable period. The decrease is as a result of the change in FFO generated in 2009 as described above, offset by the impact of the issuance of equity and debentures in the year ended December 31, 2009, which created additional liquidity but that was not invested for the full period. Basic FFO per unit of \$0.39 for the three months ended December 31, 2009 represents a payout ratio of 98% on Whiterock's cash distributions in the quarter.

AFFO per unit (basic) decreased \$0.09 per unit or 21% for the three months ended December 31, 2009 and \$0.22 or 13% for the year ended December 31, 2009 compared to the same period in 2008. AFFO per unit (diluted) decreased \$0.09 per unit and \$0.19 per unit for the three months and year ended December 31, 2009 respectively, compared to the same period in 2008.

FINANCIAL POSITION

Selected balance sheet information follows:

	December 31, 2009	December 31, 2008
Investment in real estate ⁽¹⁾		
- continuing operations	\$ 454,379,256	\$ 442,419,028
- discontinued operations	\$ -	\$ 2,540,906
Total assets	\$ 429,412,904	\$ 432,904,905
Mortgages payable and facilities		
- continuing operations	\$ 266,481,986	\$ 282,363,975
- discontinued operations	\$ -	\$ 1,789,934
Convertible debentures	\$ 71,268,206	\$ 52,533,520
Unitholders' Equity	\$ 77,939,472	\$ 80,068,509

(1) December 31, 2009 includes Whiterock's co-ownership share of \$156 million of real estate assets accounted for using the equity method. December 31, 2008 includes \$7.3 million in mortgages receivable secured by real estate assets.

MORTGAGES PAYABLE AND FACILITIES

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties resulting in staggered debt maturities. This strategy helps to reduce exposure to interest rate fluctuations in any one period. At December 31, 2009, Whiterock's mortgages payable have a weighted average remaining term of 6.2 years and a weighted average interest rate of 5.7% with 100% at fixed rates.

Whiterock's fixed and floating rate mortgage debt and credit facilities payable as at December 31, 2009 and as at December 31, 2008 are as follows:

	December 31, 2009		December 31, 2008	
	Total	%	Total	%
Mortgages payable				
Fixed rate	\$ 267,276,088	100.0%	\$ 253,676,237	100.0%
Floating rate	-	-	-	-
	267,276,088	100.0%	253,676,237	100.0%
Discontinued operations	-	-	1,820,853	100.0%
Mortgage liability	267,276,088	100.0%	255,497,090	100.0%
Deferred financing fees - continuing	(3,113,180)		(2,404,071)	
Deferred financing fees -				
Accumulated amortization - continuing	842,025		487,112	
Deferred financing fees - discontinued	-		(46,584)	
Accumulated amortization - discontinued	-		15,665	
Mortgages payable -				
net of deferred financing fees	265,004,933		253,549,212	
Acquisition and Operating facilities				
Acquisition and Operating facilities liability	1,681,210		30,855,442	
Deferred financing fees	(911,679)		(477,596)	
Deferred financing fees -				
Accumulated amortization	707,522		226,851	
Acquisition and Operating facilities -				
Deferred financing fees (net)	(204,157)		(250,745)	
Mortgages payable and facilities	\$ 266,481,986		\$ 284,153,909	

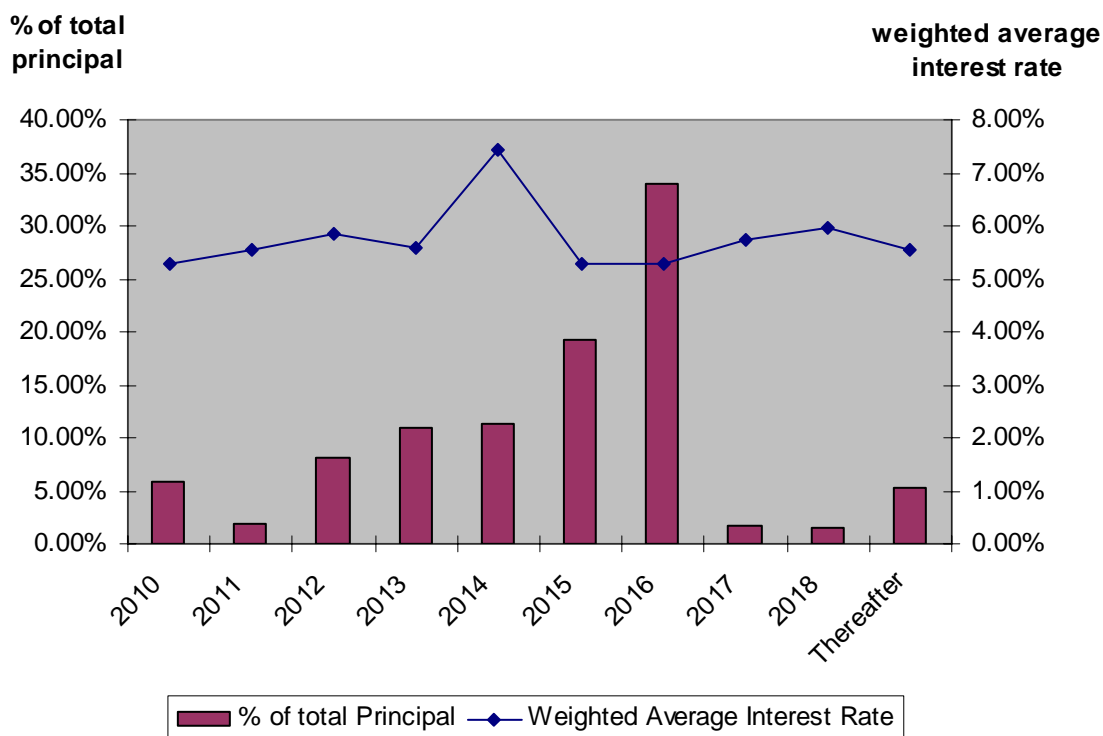
The increase in mortgages payable at December 31, 2009 results primarily from the refinancing of a second mortgage that matured in March 2009 on a Quebec City, Quebec property, for net new proceeds of \$4.5 million, and from obtaining a new \$12.5 million first mortgage on an existing property in Calgary, Alberta and a new \$5.3 million second mortgage on an existing property in St. Hyacinthe, Quebec. These proceeds, together with the proceeds from the new \$23 million convertible debentures and \$10.9 equity issuance, were used to pay down Whiterock's operating facilities and create additional financial flexibility.

The following table summarizes Whiterock's mortgage maturity schedule as at December 31, 2009:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2010 ⁽¹⁾	4,420,609	11,426,390	15,846,999	5.27%
2011	5,044,481	-	5,044,481	5.54%
2012	6,122,113	15,488,979	21,611,092	5.84%
2013	5,868,991	23,593,756	29,462,747	5.58%
2014	5,406,475	24,632,619	30,039,094	7.42%
2015	5,343,694	46,294,167	51,637,861	5.27%
2016	3,200,914	87,623,131	90,824,045	5.29%
2017	1,470,148	3,251,950	4,722,098	5.74%
2018	1,411,561	2,571,466	3,983,027	5.97%
Thereafter	7,538,789	6,565,855	14,104,644	5.54%
Total continuing operations	\$ 45,827,775	\$ 221,448,313	\$ 267,276,088	5.68%

(1) 2010 Balloon payments due November 1, 2010

The following chart highlights the staggered mortgage maturities and weighted average interest rates at December 31, 2009:



Acquisition and Operating Facilities

On June 19, 2008, the Trust entered into a demand revolving acquisition and operating facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and the guarantee of the Trust and can be used for acquisitions, operations and general trust purposes. On August 5, 2009 the \$40 million facility was renewed at floating rates determined, at Whiterock's option, by reference to the prime rate plus 350 basis points or Bankers Acceptance rates plus 450 basis points. As at December 31, 2009, there was \$1.0 million outstanding under this facility (December 31, 2008 – \$26.7 million).

The Trust's \$2.25 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility was renewed on April 17, 2009 and bears interest at a floating rate determined by reference to the prime rate plus 150 basis points. As at December 31, 2009, there was \$0.7 million outstanding under this facility (December 31, 2008 – \$4.2 million).

A breakdown of the Trust's debt maturities over the next five years follows:

(\$000s)	2010	2011	2012	2013	2014	Thereafter
Amortized principal payments	\$ 4,421	\$ 5,044	\$ 6,122	\$ 5,869	\$ 5,406	\$ 18,965
Mortgages due on maturity	11,426	-	15,489	23,594	24,633	146,307
Debentures due on maturity	9,010	35,000	11,400	-	19,687	-
Bank operating facility	1,681	-	-	-	-	-
	\$ 26,538	\$ 40,044	\$ 33,011	\$ 29,463	\$ 49,726	\$ 165,272

Debt maturities for 2010 represent less than eight percent of total indebtedness. Management expects these maturities to be refinanced in the normal course of operations.

Total Indebtedness to Gross Book Value

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of GBV (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At December 31, 2009, according to the calculation as defined in the Declaration of Trust, this ratio was 55.9% (December 31, 2008 – 54.8%), as per the table below. This ratio has increased in 2009 primarily due to the issuance of long term mortgage debt to repay short term credit facility debt. It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at Whiterock's annual and special meeting of Unitholders, held on May 29, 2006, that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of GBV. The reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds \$750 million.

The Total Indebtedness to GBV calculation, in accordance with the Declaration of Trust, is as follows as at December 31, 2009 and December 31, 2008:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Total Indebtedness		
Mortgages payable		
- continuing operations	\$ 267,276,088	\$ 253,676,237
- discontinued operations	-	1,820,853
Total Indebtedness - current	267,276,088	255,497,090
Convertible Debentures (face value)	75,096,700	55,409,700
Total Indebtedness		
- when assets exceed \$750 million	342,372,788	310,906,790
Acquisition and operating facilities	1,681,210	30,855,442
Total Indebtedness - all debt	344,053,998	341,762,232
Gross Book Value		
Total GBV of real estate assets		
- continuing operations	468,127,073	456,184,496
- discontinued operations	-	2,540,906
Other assets	9,915,786	7,642,878
Total Gross Book Value	\$ 478,042,859	\$ 466,368,280
Total Indebtedness to Gross Book Value Ratios		
- Current Declaration of Trust	55.9%	54.8%
- When assets exceed \$750 million	71.6%	66.7%
- All debt, including facilities	72.0%	73.3%

Subsequent to December 31, 2009 Whiterock received net proceeds of approximately \$48.9 million from a public offering of units which it used, in part, to acquire a \$42 million equity investment in a portfolio of Toronto income properties. Adjusted for these transactions, Whiterock's total indebtedness to gross book value ratios would approximate 51% under the current Declaration of Trust, 65% when assets exceed \$750 million and 65% including acquisition and operating facilities.

CONVERTIBLE DEBENTURES

Whiterock had \$75.1 million (principal amount) of redeemable subordinated convertible debentures outstanding at December 31, 2009 (December 31, 2008 - \$55.4 million) as follows:

	Series A	Series C	Series D	Series E	Series F	Series G	Total
Liability	\$ 12,328,078	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 10,987,454	\$ 21,955,112	\$ 81,606,575
Equity	671,922	116,940	435,744	1,111,385	412,546	1,044,888	3,793,425
Principal on issuance	13,000,000	3,000,000	10,000,000	25,000,000	11,400,000	23,000,000	85,400,000
Conversion of debentures	(6,202,300)	(788,000)	-	-	-	(3,313,000)	(10,303,300)
Principal -							
December 31, 2009	\$ 6,797,700	\$ 2,212,000	\$ 10,000,000	\$ 25,000,000	\$ 11,400,000	\$ 19,687,000	\$ 75,096,700

A continuity of the liability component of the convertible debentures is as follows:

	Series A	Series C	Series D	Series E	Series F	Series G	Total
Liability -							
December 31, 2008	\$ 6,674,865	\$ 2,171,735	\$ 9,749,681	\$ 24,293,821	\$ 11,028,871	\$ -	\$ 53,918,973
Issuance of debentures	-	-	-	-	-	21,955,112	21,955,112
Implicit interest rate in excess of coupon rate	79,890	18,852	89,185	218,586	95,592	37,032	539,137
Conversion of debentures	-	-	-	-	-	(3,165,354)	(3,165,354)
Liability -							
December 31, 2009	6,754,755	2,190,587	9,838,866	24,512,407	11,124,463	18,826,790	73,247,868
Deferred financing fees	(922,430)	(165,067)	(240,458)	(1,338,461)	(108,781)	(1,160,278)	(3,935,475)
Deferred financing fees - Accumulated amortization	842,964	127,100	152,866	752,085	35,098	45,700	1,955,813
Balance -							
December 31, 2009	\$ 6,675,289	\$ 2,152,620	\$ 9,751,274	\$ 23,926,031	\$ 11,050,780	\$ 17,712,212	\$ 71,268,206

Series A Convertible Debentures

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the original principal amount of \$13,000,000 with interest payable semi-annually, and which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price of \$15.30 per unit.

The debentures were redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from June 29, 2007, until June 28, 2009, providing that the 20-day weighted average trading price of the units was at least \$22.95; and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$19.13.

In 2008, \$2.5 million of Series A debentures were converted into 164,135 units.

Series C Convertible Debentures

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the original principal amount of \$3,000,000 with interest payable quarterly and which mature on December 21, 2010. The debentures are convertible at the request of the holder after December 21, 2006, subject to certain terms and conditions at a conversion price of \$18.00 per unit.

The debentures were redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 21, 2006, until June 21, 2008, providing that the 20-day weighted average trading price of the units was at least \$19.50; and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$21.00.

In 2008, \$0.5 million of Series C debentures were converted into 25,833 units.

Series D Convertible Debentures

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the original principal amount of \$10,000,000 with interest payable semi-annually, and which mature on July 31, 2011. The debentures are convertible at the request of the holder after July 31, 2007, subject to certain terms and conditions at a conversion price of \$22.50 per unit.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 and until July 14, 2010, providing that the 20-day weighted average trading price of the units is at least \$28.13 and, after July 14, 2010, at the principal amount.

Series E Convertible Debentures

On December 8, 2006, the Trust issued 6.3% redeemable subordinated unsecured convertible debentures in the original principal amount of \$25,000,000 with interest payable semi-annually and which mature on December 31, 2011. The debentures are convertible at the request of the holder, subject to certain terms and conditions at a conversion price of \$20.625 per unit.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2009 and prior to December 31, 2010, providing that the 20-day weighted average trading price of the units is at least \$25.79 and, after December 30, 2010, at their principal amount.

Series F Convertible Debentures

On July 16, 2008, the Trust issued 6.0% redeemable subordinated unsecured convertible debentures in the original principal amount of \$11,400,000, with interest payable quarterly, and which mature on July 15, 2012. The debentures are convertible at the request of the holder after July 15, 2009, subject to certain terms and conditions at a conversion price of \$19.83.

The debentures are redeemable at the option of the Trust at 115% of the principal amount, subject to certain terms and conditions.

These debentures were issued as partial consideration for the acquisition of eight properties in Alberta.

Series G Convertible Debentures

On October 1, 2009, the Trust issued 7% redeemable subordinated unsecured convertible debentures in the original principal amount of \$20,000,000 with interest payable semi-annually, and which mature on December 31, 2014. On October 28, 2009, the Trust issued an additional \$3,000,000 of 7% redeemable subordinated unsecured convertible debentures as a result of the underwriters exercising their over-allotment privilege. The debentures are convertible at the request of the holder subject to certain terms and conditions at a conversion price of \$13.03.

The debentures are redeemable at the option of the Trust at the principal amount subject to certain terms and conditions, from December 31, 2012 and prior to December 31, 2013, providing that the 20-day weighted average trading price of the units is at least \$16.29 and, after December 30, 2013 at their principal amount.

In 2009, \$3.3 million of Series G debentures were converted into 254,247 units.

UNITHOLDERS' EQUITY

Unitholders' equity at December 31, 2009 and December 31, 2008 consists of the following:

	December 31, 2009	December 31, 2008
Units	\$ 129,804,308	\$ 115,426,201
Unit options	973,347	838,594
Warrants	314,800	314,800
Equity component of convertible debentures	3,291,474	2,397,246
Cumulative earnings and accumulated comprehensive earnings	(7,434,158)	(5,052,808)
Cumulative distributions to unitholders	(49,010,299)	(33,855,524)
	\$ 77,939,472	\$ 80,068,509

Distributions per unit totaled \$1.68 for the year ended December 31, 2009 and \$1.68 per unit for the year ended December 31, 2008.

Units

On November 6, 2009, the Trust subdivided its issued and outstanding units on the basis of one additional unit for each pre-subdivision unit held, and on December 22, 2008, the Trust consolidated its issued and outstanding units on the basis of one post-consolidation unit for every three pre-consolidation units. All references to units, unit options and warrants in these financial statements, including per unit values, have been adjusted for the subdivision and the consolidation.

During the three months ended December 31, 2009, 49,624 (December 31, 2008 – 46,707) units were issued under Whiterock's Distribution Reinvestment Plan ("DRIP"). The DRIP allows Unitholders to purchase additional units using their distributions, without brokerage fees, at 96% of the volume weighted average trading price for the ten days immediately preceding a distribution payment date. This conserves cash for the Trust.

In the year ended December 31, 2009, the Trust closed a \$10.9 million bought deal public offering at a price of \$7.40 per unit, resulting in 1,471,800 additional units being issued. An additional 150,880 units were issued under Whiterock's DRIP.

During the year ended December 31, 2008, the Trust issued 660,869 units as partial consideration for the acquisition of eight Alberta properties, 164,135 units upon conversion of \$2.5 million of Series A Debentures and 25,833 units upon conversion of \$0.5 million of Series C debentures.

A summary of units issued in the three months and year ended December 31, 2009 follows:

	Units	\$
Issued and outstanding at December 31, 2008	7,913,032	\$ 115,426,201
Units Issued		
Distribution Reinvestment Plan	14,206	102,645
Unit issue costs		(24,392)
Issued and outstanding at March 31, 2009	7,927,238	\$ 115,504,454
Units issued		
Public Offering	1,471,800	10,891,320
Distribution Reinvestment Plan	27,288	203,982
Unit issue costs		(923,107)
Issued and outstanding at June 30, 2009	9,426,326	\$ 125,676,649
Units Issued		
Distribution Reinvestment Plan	59,762	527,686
Unit issue costs		(38,428)
Issued and outstanding at September 30, 2009	9,486,088	\$ 126,165,907
Units Issued		
Conversion of Series G debentures	254,247	3,316,014
Distribution Reinvestment Plan	49,624	640,984
Exercise of Unit Options	10,000	91,350
Value associated with unit option exercised		3,350
Unit issue costs		(413,297)
Issued and outstanding at December 31, 2009	9,799,959	\$ 129,804,308

Subsequent to December 31, 2009, the Trust issued 3,467,500 units in a public offering at a price of \$14.95 per unit, for gross proceeds of \$51,839,125. Proceeds were used, in part, to finance the Trust's equity interest in \$214 million of properties (see "Acquisitions Completed Subsequent to December 31, 2009").

Unit Options

Whiterock may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to Whiterock. The maximum number of units reserved for issuance under all securities-based compensation arrangements is limited to 10% of the total number of issued and outstanding units. The Trustees set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the volume-weighted average price of the units on the five trading days prior to the date of grant. The options have a maximum term of five years from the date of grant.

Unit options with a Black-Scholes calculated value of \$1.0 million were outstanding at December 31, 2009 (December 31, 2008 – \$0.8 million). The fair value associated with the unit options issued during the year ended December 31, 2009 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 33% (2008 – 24%) on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.68, and the five-year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

Details of unit options granted and exercised for the three months ended December 31, 2009 and 2008 follow:

	Three months ended December 31, 2009		Three months ended December 31, 2008	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	942,619	\$13.30	560,821	\$15.54
Granted	-	-	29,998	9.14
Exercised	(10,000)	9.14	-	-
Outstanding, end of period	932,619	\$13.34	590,819	\$15.22
Options vested, end of period	932,619	\$13.34	582,500	\$15.23
Weighted average remaining life (years)	3.0		3.0	

Details of unit options granted and exercised for the year ended December 31, 2009 and 2008 follow:

	Year ended December 31, 2009		Year ended December 31, 2008	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	590,819	\$15.22	384,571	\$15.93
Granted	351,800	10.07	226,663	14.10
Exercised	(10,000)	9.14	(4,166)	12.90
Expired	-	-	(10,208)	17.30
Cancelled	-	-	(6,041)	16.65
Outstanding, end of period	932,619	\$13.34	590,819	\$15.22
Options vested, end of period	932,619	\$13.34	582,500	\$15.23
Weighted average remaining life (years)	3.0		3.0	

The objective of granting options is to encourage the holder to acquire an ownership interest over a period of time which acts as a financial incentive for the holder to consider the long-term interests of Whiterock and its unitholders.

Warrants

Details of warrants issued and exercised for the three months ended December 31, 2009 and 2008 follow:

	<u>Three months ended December 31, 2009</u>		<u>Three months ended December 31, 2008</u>	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning and end of period	143,667	\$20.92	143,667	\$20.92
Weighted average remaining life (years)	1.5		2.5	

Details of warrants issued and exercised for year ended December 31, 2009 and 2008 follows:

	<u>Year ended December 31, 2009</u>		<u>Year ended December 31, 2008</u>	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning and end of period	143,667	\$20.92	143,667	\$20.92
Weighted average remaining life (years)	1.5		2.5	

The Black-Scholes calculated value of the warrants outstanding at December 31, 2009 was \$0.3 million (December 31, 2008 – \$0.3 million).

CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The following table lists all convertible securities of the Trust at December 31, 2009 and December 31, 2008 and the number of units resulting if they were converted or exercised:

(as at)	Exercise / Conversion Price	December 31, 2009	December 31, 2008
Units outstanding		9,799,959	7,913,032
Unit options	\$ 9.14	19,998	29,998
	\$ 10.07	351,800	-
	\$ 12.90	119,998	119,998
	\$ 14.61	20,000	20,000
	\$ 14.70	113,333	113,333
	\$ 14.78	8,333	8,333
	\$ 15.00	87,496	87,496
	\$ 15.06	8,333	8,333
	\$ 15.32	46,666	46,666
	\$ 16.32	33,332	33,332
	\$ 17.40	12,498	12,498
	\$ 19.62	110,832	110,832
Warrants	\$ 20.64	83,334	83,334
	\$ 21.30	60,333	60,333
Convertible debentures			
Series G (7.0%)	\$ 13.03	1,510,898	-
Series A (8.0%)	\$ 15.30	444,294	444,294
Series C (9.0%)	\$ 18.00	122,889	122,889
Series F (6.0%)	\$ 19.83	574,887	574,887
Series E (6.3%)	\$ 20.625	1,212,121	1,212,121
Series D (7.5%)	\$ 22.50	444,444	444,444
		15,185,779	11,446,153

CASH DISTRIBUTIONS

The Trust makes distributions on its units in accordance with the Declaration of Trust, at the discretion of the Trustees. It is the intention of the Trust, although not a requirement, to distribute all net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act. Distributions in the amount of \$15,154,775 in 2009 (2008 - \$12,571,210) were paid to Unitholders. Distributable Income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on the debentures.

100% of the distributions made in 2009 and 2008 were a return of capital for tax purposes.

CAPITAL RESOURCES AND LIQUIDITY

Cash flow from continuing operating activities for the three months and year ended December 31, 2009 was \$1.3 million and \$11.6 million respectively compared to \$2.3 million and \$14.5 million respectively in the comparative prior year periods. Cash flow from continuing operations in 2009 was primarily impacted by the cost of increased liquidity generated from new mortgages, equity and debentures, offset by the additional income from acquisitions, lower occupancy levels and higher contractual rents.

On June 19, 2008, Whiterock entered into a demand revolving acquisition and operating facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and can be used for acquisitions, operations and general trust purposes. On August 5, 2009, the facility was renewed and bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 350 basis points or Bankers Acceptance rates plus 450 basis points. As at December 31, 2009, \$1.0 million was outstanding under the facility. In the year ended December 31, 2009 the Trust generated cash from \$22.2 million of new mortgages, a \$10.9 million of equity public offering, and the issuance of \$23 million of convertible debentures. These funds were partially used to pay down \$29.2 million on its revolving acquisition and operating facilities and therefore create additional financial flexibility.

The Trust's \$2.25 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility was renewed on April 17, 2009 and bears interest at a floating rate determined by reference to the prime rate plus 150 basis points. As at December 31, 2009, \$0.7 million was outstanding under this facility (December 31, 2008 – \$4.2 million).

Subsequent to December 31, 2009, Whiterock acquired a 49.9% interest in 1.1 million square feet of office space. Whiterock's investment in the properties, net of assumed debt was approximately \$42 million and was financed from the proceeds of a \$51.8 million public equity offering.

The main sources of acquisition funds for Whiterock are its revolving acquisition and operating facilities (see "Mortgages Payable and Facilities"), proceeds from convertible debentures (see "Convertible Debentures") unit offerings (see "Units") and cash flows (see "Cash flow from operating activities") from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions (see "Mortgages Payable and Facilities").

In conjunction with a centralized undertaking arrangement, Whiterock applies its cash balances against amounts outstanding under its revolving credit facilities. The Trust uses its facilities, as appropriate to support its day to day activities.

The actual level of future borrowings and equity offerings will be determined based on prevailing interest rates, debt and equity market conditions and management's general view of the required leverage in the business.

Whiterock expects to continue to meet all of its existing obligations.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to its December 31, 2009 audited consolidated financial statements. Management considers that the policies that are most subject to estimation and management's judgment are those outlined below.

Income Property Acquisitions

Management is required to allocate the purchase price of income property acquisitions to land, building and improvements, tenant inducements and intangible assets such as lease origination costs and the value of tenant relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as of the acquisition date;
- The value of the replacement cost of buildings and improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred leasing costs, including tenant improvements associated with in-place leases based on estimates of prevailing tenant allowances, taking into account the condition of tenants' premises and remaining lease term;
- The value of lease origination costs, including leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;
- The value ascribed to above and below market in-place leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;
- The value of tenant relationships, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and
- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

Amortization of Income Properties

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful lives of the buildings prove to be incorrect, the computation of amortization will not be appropriately reflected over future periods.

Impairment of Income Properties

Under Canadian GAAP, management is required to write down to fair value long-lived assets that are determined to have been impaired. If events or circumstances indicate that the carrying value of an income property may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income property is written down to its estimated fair value and an impairment loss is recognized.

Fair Value of Mortgages and Debentures Payable

Management determines the fair value of Whiterock's mortgages and debentures payable on a quarterly basis. In determining the fair value, Management uses internally developed models that are based upon current market conditions. The process involves discounting the future contractual mortgage or debenture payments based upon a current market rate. In determining market rates, Management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to Whiterock's mortgages and debentures. The credit spread is estimated based upon experience in obtaining similar financing, and is also affected by current market conditions.

CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Management monitors issued accounting pronouncements from the Canadian Institute of Chartered Accountants ("CICA") and assesses the applicability and impact, if any, of these pronouncements on Whiterock's consolidated financial statements.

The CICA has issued a new accounting standard, CICA Handbook Section 3064 - Goodwill and Intangible Assets, effective for the Trust's 2009 fiscal year, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard. The impact of these Standards on Whiterock's 2009 consolidated financial statements is not material.

The CICA amended Section 3862, titled "Financial Instruments – Disclosures" to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements and liquidity risk. These disclosures are effective for the Trust's December 31, 2009 annual consolidated financial statements. These amendments did not impact the Trust's results of operations or financial position.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that it will require publicly accountable profit-oriented enterprises to adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with retrospective application and restatement of comparative figures for the fiscal year ended December 31, 2010. IFRS will replace Canada's current GAAP for these enterprises.

The Trust's financial results and results of its operations may be significantly different when presented in accordance with IFRS. Whiterock cannot quantify the impact of the application of the new standards in its financial reports, but sees positive elements in the IFRS conversion. In particular Whiterock expects an increase in the Trust's reported Investment Properties values, Unitholder's Equity, and a lower indebtedness ratio. Revenue may be impacted by additional items being classified as lease incentives and more costly valuation requirements.

In order to prepare for the conversion, the Trust is managing an IFRS programme for the transition from GAAP to IFRS. The programme is more long-term in scope, as its outcome will include the efficient application of IFRS considering future standard changes as indicated by Exposure Drafts (ED) with future effective dates.

The IFRS transition project, currently on its planning stage, addresses first time adoption and conversion tasks. To date, key activities being undertaken as part of the changeover plan include, but are not limited to:

Financial reporting	<p>Analysis of differences between GAAP and IFRS and assessment of the impact on financial statement items.</p> <p>To date, the main differences identified relate to accounting for investment properties, impairment testing for assets, accounting for lease incentives, and the effects of transitional provisions of IFRS for first-time adopters.</p> <p>Management is currently evaluating alternative accounting policies and expects to make a decision for Investment Property by the end of Q2 2010, including the process for the determination of fair value.</p> <p>By the end of Q3 2010 management expects the valuation of investment property as at January 1, 2010 will be substantially complete.</p>
Training and communication	<p>Ongoing training and education sessions are being provided to staff and management that are directly affected by the transition.</p> <p>Regular reporting to the Audit Committee of the Board of Trustee's has begun.</p> <p>External stakeholders are being updated on the progress of the transition project through quarterly MD&A and other communications, as required. This will be ongoing throughout 2010.</p> <p>Accounting policy manuals are being updated for both corporate and property accounting. It is expected this will be completed by the end of Q4 2010.</p>
Business processes	<p>A project team led by the Chief Financial Officer which includes representatives from finance, corporate accounting, property accounting and asset management has been established.</p> <p>Management is in the process of evaluating alternatives (in-house valuation model vs. outsourcing) for the valuation strategy of investment property.</p> <p>Analysis of in-place and future debt covenants is underway with the objective of assessing the effect of IFRS. Any necessary changes will be finalized before the end of 2010.</p>
Information technology	<p>Management has identified the main impact of IFRS on information systems and data processing technology as the data capture required for compliance with accounting policies related to fair value of investment property. It is expected that by Q4 2010 any required modifications will have been implemented.</p>
Internal control over financial reporting and disclosure control and procedures	<p>Identification of modifications to existing control processes will be completed by the end of Q2 2010; management is analyzing internal controls in conjunction with the decision regarding fair value measurement of investment property.</p> <p>Planned design and implementation of new controls for record keeping will be implemented during Q3 2010. Design and implementation includes ongoing assessment of re-designed internal controls and effectiveness.</p>

Key differences between IFRS and Canadian GAAP that will affect Whiterock

The adoption of IFRS will introduce major external reporting changes for Canadian publicly-accountable enterprises in the real estate industry. Although some Canadian accounting standards have been harmonized with IFRS, the new standards depart significantly from Canadian GAAP requirements for recognition, measurement, presentation and disclosure of certain transactions and events. Some financial reporting issues are addressed only in one of the two sets of standards and, in general, IFRS presents more interpretive issues.

Some of the key differences between Canadian GAAP and IFRS that will affect Whiterock's financial statements are summarized below.

Investment Property

IFRS classifies real estate property into more categories than Canadian GAAP: long-term income producing property (which could be sub-classified as investment property or owner-occupied property), inventory property, and long-term income producing property held for sale.

International Accounting Standard (IAS) 40 – Investment Property, does not have an equivalent under Canadian GAAP and represents a fundamental reporting difference. Includes land and/or buildings held to provide rental revenue or capital appreciation, and allows recording properties at fair value, which is expected to result in a more relevant net asset value. IAS 40 eliminates the depreciation expense of properties recorded under the current historical cost model, but requires a fair value adjustment through the income statement. The fair value adjustment will introduce volatility in the net income figure, and could, without sufficient disclosure, obscure the results of rental operations particularly for those reported under the equity method.

Under IFRS, once income-producing properties meet the assessment requirements to be classified as such, there are two options for recognition and measurement: the Fair Value Model or the Cost Model. The Fair Value Model records properties initially at cost and measures fair value every reporting period, recognizing changes in the statement of income and comprehensive income without depreciation or impairment losses. The Cost Model also recognizes properties initially at cost, but depreciates properties and requires the disclosure of fair values of properties every reporting period and any impairment losses as applicable.

Asset Impairment

IFRS requirements for impairment testing are more detailed than current Canadian GAAP. Moreover, impairment is tested using discounted cash flows, which differs from the present Canadian requirement of using undiscounted cash flows. IFRS allows for impairment losses to be reversed if recovery occurs. It is expected that impairment testing will add volatility to the financial statements as a result of write-downs and reversals. A review for impairment losses is required at each reporting date.

Leases

Accounting for leases is similar under Canadian GAAP and IFRS. An item that could impact Whiterock is additional tenant installation costs being recognized as tenant incentives due to a broader definition, with a subsequent larger depreciation charge to revenue as compared to current practice.

Business Combinations

The CICA has issued a new accounting standard, CICA Handbook Section 1582 - Business Combinations, which will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook sections 1601 – Consolidations and 1602 – Non-controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 - Business Combinations and 1600 – Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes

standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Trust is currently considering the effect on the financial statements of the new standards.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Trust's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2009, an evaluation was carried out, under the supervision of and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Trust's disclosure controls and procedures as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("MI 52-109"). Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Trust's disclosure controls and procedures were effective as at December 31, 2009.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the Trust's internal controls over financial reporting (as defined in MI 52-109) as at December 31, 2009. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively as at December 31, 2009 in accordance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2009, no changes to internal controls over financial reporting have materially affected, or are reasonable likely to materially affect, internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the Trust will be continually evolving and enhancing its systems of controls and procedures.

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are disclosed herein as well as in Whiterock's Annual Information Form dated March 19, 2010, filed under Whiterock's profile on the Canadian Securities Administrators' website at www.sedar.com.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Whiterock than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs to protect Whiterock's investment may be incurred. Furthermore, at any time, a tenant of any of Whiterock's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Whiterock.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income.

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 5.2% to 15.6% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at December 31, 2009 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue
2010	213,880	6.2%	5.2%
2011	434,303	12.6%	15.6%
2012	172,611	5.0%	5.8%
2013	350,508	10.1%	12.6%
2014	259,828	7.5%	8.5%
2015	325,957	9.4%	7.6%
2016	224,029	6.5%	6.1%
2017	184,887	5.4%	7.9%
2018	105,606	3.1%	4.2%
Thereafter	1,050,772	30.4%	26.5%
Occupied	3,322,381	96.2%	100.0%
Vacant	132,890	3.8%	
Total	3,455,271	100.0%	100.0%

Income available for distribution

A return on an investment in units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in units is at risk, and any anticipated return on an investment in units is based on many performance assumptions.

Although Whiterock currently intends to make distributions of a significant percentage of its available cash to Unitholders, such cash distributions are not assured and may be reduced, suspended or discontinued

at any time, as circumstances may warrant. The ability of Whiterock to make cash distributions and the actual amount of cash distributed will be dependent upon, among other factors, the financial performance of the properties in its portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the units may decline for a variety of reasons, including if Whiterock is unable to meet its cash distribution targets in the future, and such decline may be significant.

It is important for a person making an investment in units to consider the particular risk factors that may affect both Whiterock and the real estate industry in which Whiterock operates and which may therefore affect the stability of the cash distributions on units.

The after-tax return from an investment in units to Unitholders that is subject to Canadian income tax can be made up of both a “return on” and a “return of” capital. That composition may change over time, thus affecting a Unitholder’s after-tax return. Subject to the SIFT Rules, returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred and reduce the Unitholder’s cost base in the Unit for tax purposes.

Public Market Risk

It is not possible to predict the price at which units will trade and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the properties of Whiterock. Accordingly, the units may trade at a premium or a discount to the value implied by the value of the properties of Whiterock. The market price for the units may be materially affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond Whiterock’s control or ability to predict.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Whiterock’s ability to vary its portfolio promptly in response to changing economic or investment conditions. If Whiterock were to liquidate a real property investment, the proceeds could be significantly less than the aggregate carrying value of such property.

Whiterock faces the risk associated with general market conditions and their potential effects on its results of operations. Current general market conditions may include, among other factors, the insolvency of market participants, more restrictive lending standards and practices, with a consequent decreased availability of cash, and changes in unemployment levels, corporate sales levels, and real estate values. These market conditions may impact occupancy levels and Whiterock’s ability to obtain credit on favourable terms or to conduct public market financings. (See “Debt Financing” and “Failure to Obtain Additional Financing” below).

Debt Financing

Whiterock has outstanding indebtedness and may incur additional indebtedness in the future, including by way of additional mortgage loans, debentures and/or credit facilities. A portion of the cash flow generated by properties owned by Whiterock will be devoted to servicing such debt and there can be no assurance that Whiterock will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt.

The property mortgage indebtedness and acquisition and credit facilities are senior to the indebtedness under Whiterock’s convertible debentures.

Whiterock is subject to the risks associated with debt financing, including the risk that any mortgages and credit facilities secured by properties of Whiterock will not be able to be refinanced or that the terms of

such refinancing will not be as favourable as the terms of existing indebtedness. In addition, if Whiterock were to fail to meet its obligations under its mortgage indebtedness or its acquisition and credit facilities, this may materially and adversely impact Whiterock's ability to declare distributions to Unitholders and/or its ability to repay indebtedness under the debentures.

Whiterock attempts to appropriately structure the timing of significant tenant lease renewals on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing, so as to minimize this risk, to the extent possible.

Credit

The following table summarizes Whiterock's top ten tenants at December 31, 2009, which together represent 43.0% of Whiterock's annualized revenues from its income property portfolio as at December 31, 2009:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue ⁽¹⁾
SIQ (Quebec Gov't Agency)	1	504,774	12.9%
Province of Ontario	2	106,167	5.7%
Intact Insurance Company	3	231,500	5.2%
Federal Government	4	72,739	4.5%
Province of New Brunswick	5	107,754	3.0%
Province of Nova Scotia	6	68,477	2.9%
Crown Investment Corp. ⁽²⁾	7	67,592	2.5%
Saskatchewan Ministry of Government Services	8	80,857	2.4%
Teranet	9	37,696	2.1%
Sobeys	10	55,795	1.8%
Total: Top 10 Tenants		1,333,351	43.0%

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.

(2) Holding company for Government of Saskatchewan utility companies.

Management believes that the existing credit ratings of its Government and other investment grade tenants helps mitigate credit risk for Whiterock. However, credit ratings are subject to ongoing review by ratings agencies and may be downgraded at any time, if circumstances warrant. No assurance can be made in the current economic climate that such ratings will be maintained.

Competition

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties compete with Whiterock in seeking properties. The existence of competing developers and owners, and the potential entry of additional competing developers and/or owners, could have an adverse effect on Whiterock's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to Whiterock at fair prices or at all.

General Uninsured Losses

Whiterock believes that it carries such comprehensive general liability, fire, flood, terrorism, extended coverage and rental loss insurance with policy specifications, limits and deductibles as is customarily carried for similar properties in the regions in which it operates. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, or environmental contamination, which are either

uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, Whiterock could lose its investment in, and anticipated profits and cash flows from, its properties and Whiterock would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Interest Rate Fluctuations and Financing

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. There is a potential negative impact on Whiterock's cash available for distribution from such fluctuations. As at December 31, 2009, all of Whiterock's mortgage and convertible debenture debt was at fixed rates and \$1.7 million (0.5% of total indebtedness) drawn under Whiterock's credit facilities was at floating rates.

Whiterock seeks to reduce its interest rate risk by staggering the maturities of long-term debt and limiting the use of floating-rate debt so as to minimize exposure to interest rate fluctuations.

Reliance on Anchor or Single Tenant Properties

Retail shopping centres have traditionally relied upon anchor tenants and therefore an investment in retail shopping centres is subject to the risk that such anchor tenants may move out of the property or default on their obligations under their leases.

Certain of Whiterock's properties have only a single tenant or a limited number of tenants. In the event that such tenant or tenants were to default on its or their lease payment obligations, there would be a significant negative effect on Whiterock. Whiterock's largest tenant is SIQ, a Quebec government agency. The Trust's top 10 tenants are identified in this section under the heading "Credit".

Diversification

While Whiterock's investment strategy is to acquire diversified properties in order to obtain its investment objectives, the portfolio of Whiterock is currently comprised of a limited number of properties currently concentrated in a few geographic sectors of Canada. The value of the units and the ability of Whiterock to fund distributions are dependent on the ability of Whiterock to derive income from these properties, and any economic shock in these geographic sectors could have a materially adverse impact on Whiterock's results of operations.

Failure to Obtain Additional Financing

Whiterock may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the term of financing or refinancing of any particular property owned by Whiterock, refinancing may not be available in amounts required or may be available only on terms less favourable to Whiterock than existing financing. Future financing may take many forms, including debt or equity financing which could alter Whiterock's debt-to-equity ratio or which could be dilutive to Unitholders.

Environmental Matters

As an owner of real property, Whiterock is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in material claims against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any

pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

It is Whiterock's policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional real property. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and shall be responsible for liabilities arising out of any breach of such regulations.

SIFT Legislation

On June 22, 2007, legislation relating to the federal income taxation of SIFTs, received royal assent. A SIFT includes certain publicly-listed or traded partnerships and trusts, such as income trusts and real estate investment trusts. The SIFT legislation will not apply to a trust for a taxation year if it meets prescribed conditions relating to the nature of its revenue and investments (the "REIT exception") throughout the taxation year. Whiterock did not qualify for the REIT exception throughout fiscal 2009, and therefore was a SIFT for its 2009 taxation year. (See "Future income taxes")

Management believes that the Trust has modified its structure, business entities and processes in order to enable it to qualify for the REIT Exemption starting in 2010. There can be no assurances, however, that Whiterock will continue to qualify for REIT Exemption such that it would not be subject to the tax contemplated by the SIFT legislation.

Other Tax Related Risk Factors

The extent to which distributions will be tax deferred in the future will depend on the extent to which Whiterock can shelter its taxable income by claiming capital cost allowances and other available deductions.

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which would adversely affect Unitholders.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act ("Plans"). Any Series 2 Note or Series 3 Note or other property distributed to a Unitholder on an in specie redemption of units may not be a qualified investment for Plans.

Whiterock intends to distribute to Unitholders in each year all net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act. Where the amount of net income and net realized capital gains of Whiterock in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional units. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Market Price of Units

One of the factors that may influence the market price of the units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of units to expect a higher annual yield, which could adversely affect the market price of the units. In addition, the market price for the units may be affected by changes in general market conditions, fluctuations in the market for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond Whiterock's control or ability to predict.

Availability of Cash Flow

Distributions may exceed actual cash available to Whiterock from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Whiterock may be required to use part of its debt capacity or reduce distributions to Unitholders in order to accommodate such items.

Reliance on Key Personnel

The success of Whiterock is highly dependent on the continued services of certain key management personnel, including Jason Underwood. The loss of the services of such personnel could have a material adverse effect on Whiterock.

Legal risks

Whiterock's operations are subject to a variety of laws and regulations across all of its operating jurisdictions, and the Trust therefore faces risks associated with legal and regulatory changes and litigation. Whiterock retains external legal consultants to assist in remaining current with legal and regulatory changes and in responding to potential litigation.

Changes in Legislation

There can be no assurance that applicable legislation, including without limitation, income tax laws, will not be changed in a manner that will adversely affect Whiterock or its security holders.

Lack of Availability of Growth Opportunities

Whiterock's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Whiterock is unable to identify suitable growth opportunities and consummate such acquisitions, or manage its growth effectively, its business, operating results, financial condition and distributions may be adversely affected.

There can be no assurance that Whiterock will be able to identify and acquire such assets, that such acquisitions, if any, will be accretive to earnings, or that distributions from Whiterock to Unitholders will increase or be maintained.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with real property acquisition is that there may be an undisclosed or unknown liability concerning the acquired properties, and Whiterock may not be indemnified for some or all of these liabilities. Following an acquisition, Whiterock may discover that it has acquired undisclosed liabilities, which may be material.

Whiterock conducts what management believes to be an appropriate level of investigation in connection with its acquisition of properties, and seeks through contractual representations and warranties to ensure that risks lie with the appropriate party.

Fluctuations in Cash Distributions

A return on an investment in units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in units is at risk and the return on an investment in units is based on many performance assumptions. Although Whiterock intends to make cash distributions, the actual amount distributed in respect of units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Whiterock. In addition, the market value of the units may decline if Whiterock is unable to provide a satisfactory return to Unitholders.

Dilution

The number of units that Whiterock is authorized to issue is unlimited. The Trustees have the discretion to issue additional units, which issuances, if any, may have a dilutive effect on Unitholders.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of units to liquidate their investments. Series 2 Notes or Series 3 Notes which may be distributed in specie to holders of units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and such securities may be subject to an indefinite "hold period" or other resale restriction under applicable securities laws. Series 2 Notes and Series 3 Notes so distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with a distribution of a Series 2 Note or Series 3 Note in specie to holders of units in connection with a redemption of units.

The entitlement of Unitholders to receive cash upon the redemption of their units is subject to the following limitations: (i) the total amount payable by Whiterock in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed \$20,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such units are tendered for redemption, the outstanding units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the units; and (iii) the trading of the units has not been suspended or halted on any stock exchange on which the units are listed (or, if not listed on a stock exchange, on any market on which the units are quoted for trading) on the redemption date for more than five trading days during the 10 day period commencing immediately after the redemption date.

Legal Rights Attaching to Units

As a holder of units, a Unitholder does not have all of the statutory rights normally associated with the ownership of shares in a corporation including, for example, the right to bring "oppression" or "derivative" actions against Whiterock. The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, Whiterock is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Investment Eligibility

There can be no assurance that the units or debentures will continue to be qualified investments under certain Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified and, in the case of TFSA's, prohibited investments.

Potential Conflicts of Interest

The Trustees and officers of the Trust, or entities owned and/or controlled by them, or which they are affiliated or associated with, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to procedures and remedies similar to those provided under the *Canada Business Corporations Act* (“CBCA”), except as otherwise disclosed herein.

The Declaration of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on Whiterock. As the Trustees may be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA that require each Trustee to disclose to Whiterock any interest in a material contract or transaction or proposed material contract or transaction with Whiterock (or an affiliate of Whiterock). A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction except in limited circumstances such as where the contract or transaction is one for indemnity under the provisions of the Declaration of Trust or liability insurance.

Unitholder Liability

On June 16, 2005, *The Investment Trust Unitholders’ Protection Act (Manitoba)* came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Whiterock. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Whiterock. Further, the Declaration of Trust provides that no Unitholder or annuitant under a plan in which a Unitholder acts as trustee or carrier (an “annuitant”) will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees. It is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Notwithstanding the Declaration of Trust, Unitholders may not be protected from liabilities of Whiterock to the same extent as a shareholder of a corporation is protected from the liabilities of the corporation. There is the possibility that personal liability may also arise in respect of claims against Whiterock (to the extent that not satisfied by Whiterock) that do not arise out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The Declaration of Trust further provides that a property manager, the Trustees and officers of the Trust (and their respective affiliates and associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the Trust and its Subsidiaries. The Declaration of Trust further provides that neither a property manager, a Trustee or officer of the Trust, nor any of their respective affiliates or associates (or their respective directors and officers) shall incur or be under any liability to the Trust, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

Co-ownerships

Whiterock has entered into 5 co-ownerships. If these co-ownerships do not perform as expected or default on financial obligations, Whiterock has an associated risk. Whiterock enters into agreements with financially stable partners, and reduces this risk by seeking to negotiate contractual rights upon default of a partner.